GEORGE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

Mayoral committee

Executive Mayor	P De Swardt (31 March 2008 - 20 January 2010) M Draghoender (24 February 2010 - 19 August 2010) B Petrus (19 August 2010 until present)

Councillors

Ward	
1	C Laws
2	C Neethling
3	TJ Botha
4	RA Kruger
5	LBC Esau
6	AT Jantjies
7	FZ Ntozini
8	B Petrus
9	T Teyisi
10	JS Thanda
11	NF Kamte
12	FS Guga
13	CT Williams
14	HJ Jones
15	CM Remas
16	RW Londt
17	D Maritz
18	SJ Bezuidenhout
19	I Kritzinger
20	MJ Mbuzwana

Proportionally elected councillors

1	JST Alberts
2	NA Bityi
3	C Bob
4	BM Cornelius
5	PH de Swardt
6	M Draghoender
7	PJL Grobler
8	DH Hartman
9	BF Heynes
10	PB Komani
11	PS Leholo
12	JJ Muller
13	J Ncamazana
14	M Olivier
15	J Pretorius
16	ML Rabinowitz
17	PJ van der Hoven
18	AJ van Zyl
19	W Witbooi

GENERAL INFORMATION

Auditor	Auditor General Chartered Accountant (S.A.) Registered Auditor
Bankers	ABSA Bank Limited
Registered office	Civic Centre York Street 77 GEORGE 6530
Postal address	PO Box 19 GEORGE 6530
Contact numbers	Tel: 044 801 9111 Fax: 044 873 3776
Webiste	www.george.org.za
E-mail	post@george.org.za
Accounting Officer	CM Africa DG Ras (Acting)
Chief Finance Officer (CFO)	LH Fourie M Cupido (Acting)
Legal form of entity	Municipality
Grading of local authority	Grade 4

INDEX

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	**Page**
Municipal Manager's Approval of the Annual Financial Statements	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8 - 9
Cash Flow Statement	10
Accounting Policies	11 - 27
Notes to the Annual Financial Statements	28 - 87
Appendixes:	
Appendix A: Schedule of External loans	85
Appendix B: Analysis of Property, Plant and Equipment	86 - 87
Appendix C: Segmental analysis of Property, Plant and Equipment	88
Appendix D(1): Segmental Statement of Financial Performance	89
Appendix D(2): Summary of Revenue/Expenditure by Vote	90 - 92
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	93
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	94
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	95 - 96
Appendix G: Funding register	97
Appendix H: Analysis of long term debtors	98
Appendix I: Statistical information	99 - 101

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards

INDEX

IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

MUNICIPAL MANAGER'S APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 101 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

DG Ras
MUNICIPAL MANAGER (ACTING)

George

31 August 2010

STATEMENT OF FINANCIAL POSITION

	Note	2010	2009 RESTATED
Assets			
Current Assets			
Inventories	2	312,956,993	335,905,181
Trade receivables from exchange and non-exchange transactions	3	77,184,296	60,394,570
(Increase)/Decrease in Trade receivables from exchange transactions	4	60,894,059	25,636,491
Loans and receivables	5	802,433	899,745
Cash and cash equivalents	6	146,881,424	192,888,192
		598,719,205	**615,724,179**
Non-Current Assets			
Property, plant and equipment	7	1,894,827,203	1,733,825,119
Intangible assets	8	1,607,802	1,526,778
Loans and receivables	5	3,497,152	4,272,847
		1,899,932,157	**1,739,624,744**
Non-Current Assets		1,899,932,157	1,739,624,744
Current Assets		598,719,205	615,724,179
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**2,498,651,362**	**2,355,348,923**
Liabilities			
Current Liabilities			
Loans and borrowings	9	26,063,768	20,361,844
Trade and other payables from exchange transactions	10	77,676,926	64,151,501
VAT payable	11	6,574,920	1,606,761
Consumer deposits	12	14,263,878	11,527,227
Employee benefits	13	18,096,999	16,190,149
Provisions	14	4,697,150	3,745,850
Unspent conditional grants and receipts	15	13,411,597	18,660,306
		160,785,238	**136,243,638**
Non-Current Liabilities			
Loans and borrowings	9	487,384,195	389,971,657
Employee benefits	13	75,962,149	63,706,283
		563,346,344	**453,677,940**
Non-Current Liabilities		563,346,344	453,677,940
Current Liabilities		160,785,238	136,243,638
Liabilities of disposal groups		-	-
Total Liabilities		**724,131,582**	**589,921,578**
Assets		2,498,651,362	2,355,348,923
Liabilities		(724,131,582)	(589,921,578)
		1,774,519,780	**1,765,427,345**
Net Assets			
Reserves			
Housing development fund	16	72,548,676	70,684,771
Accumulated surplus		1,701,971,104	1,694,742,574
Total Net Assets		**1,774,519,780**	**1,765,427,345**

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2010	2009 RESTATED
Revenue			
Revenue from exchange transactions			
Income from agency services		5,120,054	4,956,426
Rental revenue	17	1,819,181	1,857,265
Service charges	18	429,330,149	353,259,332
Revenue from non-exchange transactions			
Fines		3,759,323	11,330,603
Government grants & subsidies	19	158,507,356	142,905,610
Licences and permits		2,762,038	2,538,210
Property rates	20	108,050,047	100,329,321
Property rates - penalties imposed and collection charges		1,322,135	1,567,336
Other income			
Gains on recognition of water inventory		-	95,962
Interest received - investment	21	18,799,751	30,467,500
Gain on disposal of assets		95,218	681,510
Other income	22	35,584,273	29,949,501
Total Revenue		**765,149,525**	**679,938,576**
Expenditure			
Bulk purchases	23	151,841,435	119,762,528
Collection costs		5,602,477	4,319,056
Contracted services	24	34,039,033	48,713,420
Cost of sale erven sold		24,883,037	8,352,675
Depreciation and amortisation	25	79,912,588	57,166,746
Finance costs	26	47,342,066	31,749,947
General Expenses	27	74,327,082	88,570,321
Grants and subsidies paid	28	48,795,704	41,324,423
Impairment losses	29	13,946,099	10,057,532
Loss on disposal of assets		2,466,861	2,345,382
Personnel costs	30	210,701,634	181,718,715
Remuneration of councillors	31	9,757,868	9,187,602
Repairs and maintenance		52,445,761	53,999,239
Total Expenditure		**756,061,645**	**657,267,586**
Revenue		765,149,525	679,938,576
Expenditure		(756,061,645)	(657,267,586)
Other		-	-
Surplus for the year		**9,087,880**	**22,670,990**

STATEMENT OF CHANGES IN NET ASSETS

	Housing Development Fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Public contributions reserve	Accumulated surplus	Total accumulated surplus	Total net assets
Opening balance as previously reported	66,404,458	34,669,055	85,702,118	-	-	1,227,263,494	1,347,634,663	1,414,039,125
Adjustments								
Prior period error - refer to note 39	-	-	-	198,914,232	4,152,382	-	203,066,614	203,066,614
Prior period error - refer to note 39	-	-	-	-	-	(988,890)	(988,890)	(988,890)
Prior period error - refer to note 39	-	-	-	(3,486,000)	-	-	(3,486,000)	(3,486,000)
Prior period error - Recognition of Land and Buildings	-	-	-	-	-	96,286,953	96,286,953	96,286,953
Prior period error - Recognition of Erven	-	-	-	-	-	33,838,560	33,838,560	33,838,560
Balance at 01 July 2008 as restated	**66,404,458**	**34,669,055**	**85,702,118**	**195,428,232**	**4,152,382**	**1,356,400,114**	**1,676,351,897**	**1,742,756,359**
Changes in net assets								
Transfer to housing development fund	4,280,313	-	-	-	-	(4,280,313)	(4,280,313)	-
Net income / (losses) recognised directly in net assets	4,280,313	-	-	-	-	(4,280,313)	(4,280,313)	-
Surplus for the year	-	-	-	-	-	22,670,990	22,670,990	22,670,990
Total recognised income and expenses for the year	4,280,313	-	-	-	-	18,390,677	18,390,677	22,670,990
Transfer to capital replacement reserve	-	61,541,436	-	-	-	(61,541,436)	-	-
PPE purchased	-	(89,380,876)	-	-	-	89,380,876	-	-
Offsetting of depreciation	-	-	(12,770,681)	-	-	12,770,681	-	-
Transfer to Income	-	-	-	64,642,476	-	(64,642,476)	-	-
Transfer to Income	-	-	-	(7,603,907)	(178,845)	7,782,752	-	-
Total changes	4,280,313	(27,839,440)	(12,770,681)	57,038,569	(178,845)	2,141,074	18,390,677	22,670,990

STATEMENT OF CHANGES IN NET ASSETS

	Housing Development Fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Public contributions	Accumulated surplus	Total accumulated surplus	Total net assets
Balance at 01 July 2009	**70,684,771**	**6,829,615**	**72,931,437**	**252,466,801**	**3,973,537**	**1,358,541,188**	**1,694,742,578**	**1,765,427,349**
Changes in net assets								
Transfer to housing development fund	1,863,905	-	-	-	-	(1,863,905)	(1,863,905)	-
Net income (losses) recognised directly in net assets	1,863,905	-	-	-	-	(1,863,905)	(1,863,905)	-
Surplus for the year	-	-	-	-	-	9,087,880	9,087,880	9,087,880
Total recognised income and expenses for the year	1,863,905	-	-	-	-	7,223,975	7,223,975	9,087,880
Transfer to Income	-	-	-	95,910,391	3,000,000	(98,910,391)	-	-
PPE purchased	-	(17,837,629)	-	-	-	17,837,629	-	-
Contributions received	-	18,983,558	-	-	-	(18,983,558)	-	-
Transfer to Income	-	-	(8,276,344)	(16,961,489)	(187,063)	25,424,896	-	-
Stale cheques	-	-	-	-	-	4,551	4,551	4,551
Total changes	1,863,905	1,145,929	(8,276,344)	78,948,902	2,812,937	(67,402,898)	7,228,526	9,092,431
Balance at 30 June 2010	**72,548,676**	**7,975,544**	**64,655,093**	**331,415,703**	**6,786,474**	**1,291,138,290**	**1,701,971,104**	**1,774,519,780**

CASH FLOW STATEMENT

	Notes	2010	2009
Cash flows from operating activities			
Cash receipts from ratepayers, government and others		679,411,263	649,448,539
Cash paid to suppliers and employees		(557,495,849)	(538,517,094)
Cash generated from operations	32	121,915,414	110,931,445
Finance income		18,799,751	30,467,502
Finance costs		(47,342,066)	(31,749,947)
Net cash from operating activities		**93,373,099**	**109,649,000**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(243,008,536)	(284,301,026)
Proceeds on disposal of property, plant and equipment	7	176,472	691,242
Purchase of intangible assets	8	(535,273)	(1,467,917)
Decrease in loans and non-current receivables		873,008	325,141
Net cash from investing activities		**(242,494,329)**	**(284,752,560)**
Cash flows from financing activities			
Proceeds from loans and borrowings		125,200,000	107,443,000
Repayment of loans and borrowings		(22,085,538)	(15,608,637)
Net cash from financing activities		**103,114,462**	**91,834,363**
Decrease in cash and cash equivalents		**(46,006,768)**	**(83,269,197)**
Cash and cash equivalents at the beginning of the year		192,888,192	276,157,389
Cash and cash equivalents at the end of the year	6	**146,881,424**	**192,888,192**

ACCOUNTING POLICIES

1. Accounitng policies

1.1 Presentation of Annual Financial Statements

The annual financial statements have been prepared on the historical cost basis except as noted in the accounting policies below.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

Accounting policies for material transactions, events or conditions not covered by the effective GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

These accounting policies are consistent with the previous period.

Significant judgements, estimates and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of GRAP that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 39 & 40.

1.2 Going concern assumptions

The annual financial statements have been prepared on the assumption that the municipality is a going concern and will continue in operation for the foreseeable future.

1.3 Functional and presentation of currency

The annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and amounts are rounded off to the nearest R1.

1.4 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.5 Standards, amendments to standards and interpretations issued but not yet effective

1.5 Standards, amendments to standards and interpretations issued but not yet effective (continued)

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments – issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5 paragraph 29 allows for the Municipality to select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the GRAP 19 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
Employee Benefits (GRAP 25 - issued December 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

The following other standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:
IAS 36 Impairment of assets - amended version effective 1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all the above standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.6 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the utilisation of the Housing Development Fund:

- The fund is utilised for housing developments in accordance with the national housing policy and also for housing development projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the statement of changes in net assets.

1.7 Accumulated surplus

Included in the accumulated surplus of the municipality, are the following internal reserves that are maintained in terms of specific requirements:

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred, for internal record-keeping purposes, from the net surplus for the year or from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan, subject to affordability in the budget process.

Interest earned on the CRR investment is recorded as interest earned in the statement of financial performance, where after such interest may be transferred from the accumulated surplus to the CRR.

Profit made on the disposal of property, plant and equipment is recorded in the statement of financial performance, where after such interest may be transferred from the accumulated surplus to the CRR.

The CRR may only be utilised for the purposes of purchasing or construction of items of property, plant and equipment and may not be used for maintenance of these items.

Capitalisation reserve

On the implementation of GAMAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve rather than the accumulated surplus/(deficit) in terms of a directive (Circular no. 18) issued by National Treasury. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation charges that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive (Circular no. 18) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.8 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated

1.8 Property, plant and equipment (continued)
impairment losses, where applicable.

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and other directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised.

The cost of day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

Leased assets
Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Vehicles and office equipment acquired by way of finance leases are measured upon initial recognition at an amount equal to the lower of its fair value and the present value of the minimum lease payments less accumulated depreciation and accumulated impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Subsequent costs
Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Depreciation
Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end:

Item	**Average useful life in years**
Infrastructure	
• Electricity	20 - 30
• Roads and paving	3 - 30
• Water	10 - 20
• Gas	20
• Sewerage	3 - 30
• Pedestrian malls	20
• Airports	20
• Security measures	3 - 30
Community	
• Buildings	20 - 30
• Recreational facilities	20
Heritage assets	
• Buildings	Not applicable
Other	
• Office equipment	3 - 5
• Furniture and fittings	7
• Bins and containers	10

1.8 Property, plant and equipment (continued)

• Emergency equipment	5 - 15
• Motor vehicles	3 - 20
• Aircraft	Not applicable
• Watercraft	15
• Plant and equipment	2 - 20
Other - general	
• Animal pounds	5
Land and buildings	
• Buildings	30
• Land	Not applicable

Depreciation methods, useful lives and residual values of assets are reviewed at each reporting date and any changes are recognised as a change in accounting estimate.

Leased assets
Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term.

Land
Land is not depreciated as it is deemed to have an indefinite useful life.

Incomplete construction work
Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Heritage assets
Heritage assets which are shown at cost are not depreciated because of the uncertainty regarding their estimated useful lives.

Landfill sites
Rehabilitation costs capitalised to the cost of landfill sites are written off on a straight-line basis over the estimated useful lives of the sites.

Derecognition
An item of property, plant and equipment is derecognised on disposal or when there are no further economic benefits or service potential expected from its continued use. The book values of assets are written off on disposal. Gains and losses on derecognition of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount (cost less accumulated depreciation and accumulated impairment losses) of property, plant and equipment.

Any gain or loss arising on derecognition of an asset is included in the statement of financial performance in the year the asset is derecognised.

1.9 Intangible assets

Identifiable non–monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets acquired separately or internally generated (i.e. development phase assets) are reported at cost less accumulated amortisation and accumulated impairment losses.

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure capitalised only if development costs can be measured reliably, the product

1.9 Intangible assets (continued)

or processes are technically and commercially feasible, future economic benefits or service potential are probable, and the municipality intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in surplus or deficit when incurred. Other development expenditure is recognised in surplus or deficit when incurred.

Capitalises development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent costs

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the municipality

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount

Amortisation methods and useful lives are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

1.10 Investment property

Investment property is land and/or buildings held either to earn rental revenue or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes.

Investment property is measured at historical cost less accumulated depreciation and accumulated impairment losses. Investment property acquired at no or nominal consideration is initially recognised at fair value and subsequently carried at the initially determined fair value less accumulated depreciation and accumulated impairment losses.

The fair value of investment property is determined at the reporting date based on the latest general valuation roll.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

1.11 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

Classification

The municipality classifies financial assets or financial liabilities in the following categories:

1.11 Financial instruments (continued)

Financial Assets
A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:
- Listed investments (shares)
- Investments in fixed deposits (banking institutions, etc)
- Loans and Receivables
- Trade and other receivables from exchange transactions
- Other receivables from non-exchange transactions
- Short-term investment deposits
- Cash and cash equivalents

In accordance with IAS 39.09 the financial assets of the municipality are classified into the four categories allowed by this standard:

Type of financial asset	Classification
Listed investments	Held at fair value through surplus or deficit
Short-term Investment Deposits - Call	Held to maturity investments
Short-term Investment Deposits - Notice	Held to maturity investments
Cash and cash equivalents	Loans and Receivables
Loans and receivables	Loans and receivables
Trade and other receivables from exchange transactions	Loans and Receivables
Other receivables from non-exchange transactions	Loans and Receivables
Investments in Fixed Deposits	Held to maturity investments

Financial assets at fair value through surplus or deficit
Financial assets at fair value through surplus or deficit are financial assets that meet either of the following conditions:
- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the statement of financial performance.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value with gains or losses arising from changes in fair value being included in surplus or deficit for the period. Transaction costs are recognised in surplus or deficit.

Available-for-sale investments
Available-for-sale investments are financial assets that are designated as available-for-sale or not classified as:
- Loans and Receivables
- Held to maturity investments, or
- Financial assets at fair value through surplus or deficit

Available-for-sale investments are initially measured at fair value plus direct transaction costs. Subsequent to initial recognition, available-for-sale investments are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in net assets. When an investment is derecognised, the cumulative gain or loss in net assets is transferred to surplus or deficit in the statement of financial performance.

Loans and Receivables
Loans and receivables are financial assets that are created by providing money, goods or services directly to a customer or counterparty. Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets in the statement of financial position, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less an allowance for impairment.

1.11 Financial instruments (continued)

Held-to-maturity Investments

Held-to-maturity investments are financial assets with fixed or determinable payments and with fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity. Held-to-maturity investments are initially measured at fair value plus direct transaction costs. At subsequent reporting dates, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities, as reflected on the face of the statement of financial position or in the notes thereto:

- Loans and borrowings
- Trade and other payables from exchange transactions
- Bank overdraft
- Short-term loans
- Current portion of Loans and borrowings
- Consumer deposits

In accordance with IAS 39.09 there are two main categories of financial liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- Fair value through surplus or deficit; or
- Amortised cost

Financial liabilities that are measured at fair value through surplus or deficit are financial liabilities that are essentially held for trading. Financial liabilities measured at fair value through surplus or deficit, are stated at fair value, with any resulted gain or loss recognised in the statement of financial performance.

Any other financial liabilities should be classified as financial liabilities measured at amortised cost, which are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously

1.11 Financial instruments (continued)
written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.12 Inventories

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

1.12 Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related income is recognised. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and are sold by public auction.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

1.13 Impairment

1.14 Non-current assets held for sale and disposal groups

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the municipality's accounting policies for the individual assets. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, employee benefit assets and investment property, which continue to be measured in accordance with the municipality's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in surplus or deficit. Gains are not recognised in excess of any cumulative impairment loss.

1.15 Revenue

Revenue includes rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be reliably measured, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value-added tax, estimated returns, rebates and discounts. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions

Service Charges
Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

1.15 Revenue (continued)
Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer, i.e. at the point of sale. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage.

Interest earned and rentals received
Interest income is recognised in surplus or deficit as it accrues, using the effective interest rate method. Rental income is recognised on a straight-line basis over the lease term. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

Interest earned on unutilised conditional grants is not recognised in the statement of financial performance. It is allocated directly to the liability: Unspent Conditional Grants if the grant conditions indicate that interest is payable to the grantor.

Dividends
Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Royalties
Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Tariff Charges
Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Agency commission
Commission for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments
Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from non-exchange transactions

Rates and taxes
Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines
Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines that will be received based on past experience of amounts collected. There is uncertainty regarding recoverability of outstanding fines and summonses. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. It is therefore not possible to measure this revenue when the summons is issued and an estimate of summonses is not included, as a reliable estimate can not be made.

1.15 Revenue (continued)

Donations and Contributions
Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the property, plant and equipment received or receivable. Contributed property, plant and equipment are recognised when the risks and rewards of ownership have transferred to the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure
Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grant
An unconditional grant is recognised in surplus or deficit when the grant becomes receivable.

Conditional grants and receipts
Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not it is recognised as interest earned in the statement of financial performance.

Grants that compensate the municipality for expenses incurred are recognised in surplus or deficit on a systematic basis in the same periods in which the expenses are recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Grants and receipts of a revenue nature
Income is transferred to the statement of financial performance as revenue to the extent that the criteria, conditions or obligations have been. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

Grants and receipts of a capital nature
Income received from government grants, whose primary condition is that the municipality should purchase, construct or otherwise acquire non-current assets, is transferred to the statement of financial performance as revenue to the extent that the criteria, conditions or obligations have been. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

The municipality accounted for government grants in the previous financial year in accordance with the requirements of IAS 20 although, in terms of the ASB's Directive 5 of 2009, IAS 20 was no longer included in the accounting framework for municipalities during 2008/2009. A prior period error has therefore occurred as the municipality did not apply a new accounting policy. The municipality has accounted for government grants for the year ended 30 June 2010 (and retrospectively) in accordance with the requirements of GRAP 9 and ASB Directives 3 and 5.

Public contributions
Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property , plant and equipment is brought into use . Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

1.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it

1.16 Provisions, contingent liabilities and contingent assets (continued)
is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.17 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Long-service Award
Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments set-off against the liability, including notional interest, resulting from the valuation by the actuaries, are charged against the statement of financial performance.

Post Retirement Benefits

The Municipality provides post retirement benefits for its employees and councillors.

Defined Contribution Plans
A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined Benefit Plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted.

Own administered defined benefit plans
The defined benefit obligation, the related current cost and where applicable, past service cost, is determined by using the Projected Unit Credit Method. A portion of the actuarial gains and losses is recognised as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previous reporting period exceed the greater of:

- 10% of the present value of the defined benefit obligation at the date (before deducting plan assets); and
- 10% of the fair value

1.17 Employee benefits (continued)
The portion of the actuarial gains and losses to be recognised is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of employees participating in the plan. Unvested past-service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested, while vested past service costs are recognised immediately as an expense in the statement of financial performance.

Medical Aid: Continued Members
The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

Multi-employer Defined Benefit Plans and Defined Contribution Plans
The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 13 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These funds are actuarially valued tri-annually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

1.17 Employee benefits (continued)

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.18 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee.

Operating leases are those leases that do not fall within the scope of the above definition.

The Municipality as Lessee
Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the statement of financial position as finance lease obligations. The cost of the item of property, plant and equipment is depreciated on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The Municipality as Lessor
Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

1.19 Borrowing costs

Borrowing costs are capitalised in respect of qualifying assets that necessarily takes a substantial period to get ready for its intended use. If the cost of the asset, where borrowing costs have been capitalised, exceeds the estimated recoverable amount then an impairment loss is recognised for such an excess.

Borrowing costs that are not capitalised are recognised as an expense in the statement of financial performance.

1.20 Grant-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.21 Value Added Tax

The Municipality accounts for Value Added Tax on the cash basis. The municipality is liable to account for Value Added Tax at the standard rate (14%) in terms of section 7(1) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or is out of scope foe VAT purposes. The timing of payments to or from the South African Revenue Service is the last day of each of the twelve months of the financial year.

1.22 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.23 Foreign currencies

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the statement of financial performance

1.24 Change in accounting policy, estimates and errors

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 39 & 40 to the annual financial statements for details of corrections of errors recorded during the period under review.

1.25 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated as such by the Municipal Manager.

1.26 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance in the year that the expenditure was recorded and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Irregular expenditure

1.28 Irregular expenditure (continued)

Ilrregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Events after reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the annual financial statements.

1.30 Comparative figures

Current year comparatives
Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements.

Prior year comparatives
When the presentation or classification of items in the annual financial statements is amended, comparative amounts are restated or reclassified except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the amendment. The nature and reason for the restatement or reclassification is disclosed in note 39 and 40.

1.31 Share capital/contributions from owners

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use . Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Figures in Rand	2010	2009

2. Inventories

Consumable stores - at cost	9,061,939	6,510,503
Maintenance materials,chemicals and water reserve - at cost	3,231,900	3,164,628
Housing Development Fund - Unsold Units	708,401	1,392,260
Unsold Properties Held for Resale	299,954,753	324,837,790
	312,956,993	**335,905,181**

The cost of inventories recognised as an expense includes R231 430 (2009: R 14 765) in respect of impairment of inventory to net realisable value (refer to note 27)

3. Trade receivables from exchange and non-exchange transactions

Gross balances		
Trade receivable from exchange transactions		
Electricity	36,544,279	25,052,977
Housing rental	470,970	463,906
Housing loan instalments	1,445,708	1,689,371
Other consumer debtors	3,512,734	2,614,883
Refuse	10,793,584	8,529,031
Sewerage	12,965,301	10,224,883
Water	20,469,556	18,765,049
Trade receivables from non-exchange transactions		
Rates	17,917,154	16,771,340
	104,119,286	**84,111,440**
Less: Provision for debt impairment		
Trade receivables from exchange transactions		
Electricity	(5,949,644)	(9,516,582)
Housing rental	(142,504)	(244,074)
Housing loans instalments	(436,776)	(694,392)
Other consumer receivables	(1,782,183)	(982,079)
Refuse	(3,654,238)	(1,672,095)
Sewerage	(4,391,570)	(1,861,300)
Water	(5,314,290)	(5,200,944)
Trade receivables from non-exchange transactions		
Rates	(5,263,785)	(3,545,404)
	(26,934,990)	**(23,716,870)**
Net balance		
Trade receivables from exchange transactions		
Electricity	30,594,635	15,536,395
Housing rental	328,466	219,832
Housing loan instalments	1,008,932	994,979
Other consumer receivables	1,730,551	1,632,804
Refuse	7,139,346	6,856,936
Sewerage	8,573,731	8,363,583
Water	15,155,266	13,564,105
Trade receivables from non-exchange transactions		
Rates	12,653,369	13,225,936
	77,184,296	**60,394,570**

	2010	2009
3. Trade receivables from exchange and non-exchange transactions (continued)		
Electricity		
Current (0 -30 days)	17,089,258	17,840,715
31 - 60 days	13,217,331	4,091,684
61 - 90 days	1,256,983	192,856
91 - 120 days	537,991	387,607
121 - 365 days	415,992	1,072,424
> 365 days	4,026,724	1,467,691
Less: Impairment	(5,949,644)	(9,516,582)
	30,594,635	**15,536,395**
Housing rentals		
Current (0 -30 days)	11,177	1,463
31 - 60 days	30,453	31,189
61 - 90 days	16,439	14,670
91 - 120 days	12,758	14,393
121 - 365 days	12,608	14,422
> 365 days	387,535	387,769
Less: Impairment	(142,504)	(244,074)
	328,466	**219,832**
Housing loans instalments		
Current (0 -30 days)	64,917	24,428
31 - 60 days	45,348	5,923
61 - 90 days	21,660	5,800
91 - 120 days	18,859	7,345
121 - 365 days	17,987	23,652
> 365 days	1,276,937	1,622,223
Less: Impairment	(436,776)	(694,392)
	1,008,932	**994,979**
Other consumer receivables		
Current (0 -30 days)	199,509	-
31 - 60 days	308,951	316,235
61 - 90 days	1,308	203,226
91 - 120 days	156,732	284,300
121 - 365 days	139,051	1,071,362
> 365 days	2,707,183	739,760
Less: Impairment	(1,782,183)	(982,079)
	1,730,551	**1,632,804**

	2010	2009
3. Trade receivables from exchange and non-exchange transactions (continued)		
Refuse		
Current (0 -30 days)	366,784	2,656,627
31 - 60 days	1,771,063	317,693
61 - 90 days	481,458	275,422
91 - 120 days	366,316	244,690
121 - 365 days	328,055	1,867,721
> 365 days	7,479,908	3,166,878
Less: Impairment	(3,654,238)	(1,672,095)
	7,139,346	**6,856,936**
Sewerage		
Current (0 -30 days)	458,642	3,564,144
31 - 60 days	2,568,488	359,544
61 - 90 days	690,238	309,677
91 - 120 days	493,513	272,736
121 - 365 days	423,758	2,212,744
> 365 days	8,330,662	3,506,038
Less: Impairment	(4,391,570)	(1,861,300)
	8,573,731	**8,363,583**
Water		
Current (0 -30 days)	2,862,186	10,014,542
31 - 60 days	4,047,834	592,336
61 - 90 days	1,168,360	406,825
91 - 120 days	765,234	444,043
121 - 365 days	798,358	2,464,250
> 365 days	10,827,584	4,843,053
Less: Impairment	(5,314,290)	(5,200,944)
	15,155,266	**13,564,105**
Rates		
Current (0 -30 days)	835,427	8,958,451
31 - 60 days	3,415,369	439,684
61 - 90 days	865,769	349,792
91 - 120 days	560,883	267,037
121 - 365 days	550,369	4,185,528
> 365 days	11,689,337	2,570,848
Less: Impairment	(5,263,785)	(3,545,404)
	12,653,369	**13,225,936**

	2010	2009
3. Trade receivables from exchange and non-exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	40,026,559	34,250,615
31 - 60 days	2,790,652	2,081,311
61 - 90 days	2,319,800	1,569,246
91 - 120 days	2,167,442	1,723,646
121 - 365 days	14,486,223	11,241,129
> 365 days	30,391,840	16,816,207
	92,182,516	67,682,154
Less: Provision for debt impairment	(25,741,092)	(23,041,041)
	66,441,424	**44,641,113**
Industrial/ commercial		
Current (0 -30 days)	6,010,410	4,722,173
31 - 60 days	467,083	337,587
61 - 90 days	310,806	186,479
91 - 120 days	267,246	194,501
121 - 365 days	1,203,014	954,494
> 365 days	2,088,020	1,376,813
	10,346,579	7,772,047
Less: Provision for debt impairment	(1,193,898)	(675,829)
	9,152,681	**7,096,218**
National and provincial government & Other		
Current (0 -30 days)	1,168,885	7,825,956
31 - 60 days	517	(3,253)
61 - 90 days	443	2,544
91 - 120 days	7,114	4,003
121 - 365 days	215,203	716,750
> 365 days	198,030	111,239
	1,590,192	8,657,239
Less: Provision for debt impairment	-	-
	1,590,192	**8,657,239**
Total		
Current (0 -30 days)	47,205,854	46,798,744
31 - 60 days	3,258,252	2,415,645
61 - 90 days	2,631,049	1,758,269
91 - 120 days	2,441,802	1,922,150
121 - 365 days	15,904,439	12,912,373
> 365 days	32,677,890	18,304,259
	104,119,286	84,111,440
Less: Provision for debt impairment	(26,934,990)	(23,716,870)
	77,184,296	**60,394,570**

	2010	2009
3. Trade receivables from exchange and non-exchange transactions (continued)		
Less: Provision for debt impairment		
Current (0 -30 days)	(1,443,296)	(2,875,455)
31 - 60 days	(1,459,381)	(1,349,288)
61 - 90 days	(1,178,455)	(982,103)
91 - 120 days	(1,093,690)	(1,073,641)
121 - 365 days	(7,123,645)	(7,212,313)
> 365 days	(14,636,523)	(10,224,070)
	(26,934,990)	**(23,716,870)**
Total debtor past due but not impaired		
Current (0 -30 days)	859,519	-
31 - 60 days	517	28,217
61 - 90 days	443	2,544
91 - 120 days	7,114	4,003
121 - 365 days	215,203	716,750
> 365 days	198,030	111,239
	1,280,826	**862,753**

Reconciliation of debt impairment provision	**Balance at begining of year**	**Impairment losses recognised**	**Amounts written off as uncollectable**	**Balance at end of the year**
Exchange transaction				
Electricity	9,516,582	(3,566,938)	-	5,949,644
Housing rentals	244,074	(101,570)	-	142,504
Housing loan instalments	694,392	(257,616)	-	436,776
Other consumer receivables	982,079	800,104	-	1,782,183
Refuse	1,672,095	2,802,845	(820,702)	3,654,238
Sewerage	1,861,300	3,263,972	(733,702)	4,391,570
Water	5,200,944	4,934,161	(4,820,815)	5,314,290
Non-exchange transaction				
Rates	3,545,404	2,206,601	(488,220)	5,263,785
	23,716,870	**10,081,559**	**(6,863,439)**	**26,934,990**

4. (Increase)/Decrease in Trade receivables from exchange transactions		
Sundry receivables	60,460,365	24,408,557
Salary control accounts	375,970	907,488
Deposits	20,000	20,000
Short-term loans	18,770	21,370
Non-cash portion of Housing Development Fund	1,700,259	1,960,381
Impairment allowance	(1,681,305)	(1,681,305)
	60,894,059	**25,636,491**

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

	2010	2009

4. (Increase)/Decrease in Trade receivables from exchange transactions (continued)

The average credit period for Other Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Receivables.

Fair value of trade and other receivables

The management of the municipality is of the opinion that the carrying value of Other Receivables approximate their fair values. The fair value of Other Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other customers. The current payment ratio's of Other Receivables were also taken into account for fair value determination.

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Other Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

5. Loans and receivables

As at 30 June 2010	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	7,239,013	(4,093,367)	3,145,646	(435,695)	2,709,951
Sale of erven loans	255,984	-	255,984	(44,508)	211,476
Loans to other organisations	613,314	-	613,314	(37,589)	575,725
Actaris meter costs	284,641	-	284,641	(284,641)	-
	8,392,952	**(4,093,367)**	**4,299,585**	**(802,433)**	**3,497,152**

As at 30 June 2009	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	8,585,508	(4,972,951)	3,612,557	(312,521)	3,300,036
Sale of erven loans	451,766	-	451,766	(122,132)	329,634
Loans to other organisations	677,103	-	677,103	(33,926)	643,177
Actaris meter costs	431,166	-	431,166	(431,166)	-
	10,145,543	**(4,972,951)**	**5,172,592**	**(899,745)**	**4,272,847**

	2010	2009

5. Loans and receivables (continued)

Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements.

Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Loans to other organisations

The outstanding amount is in respect of loans granted to sports organisations (Section 185 (a) Ord.20 of 1974) before 1 July 2005 and will be recovered over the remaining period of the loan agreements.

Actaris meter costs

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of loans and receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's trade receivables.

Reconciliation of impairment allowance

	Balance at begining of year	Impairment losses reversed	Amounts written off as uncollectable	Balance at end of the year
Housing scheme loans	4,972,951	(879,584)	-	4,093,367

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19,740	17,340
Bank balances	140,888,437	37,938,471
Short-term deposits	5,973,247	154,932,381
	146,881,424	**192,888,192**

For the purposes of the cash flow statement, cash and cash equivalents include the above mentioned items, net of outstanding bank overdrafts.

	2010	2009

6. Cash and cash equivalents (continued)

Allocation of cash and cash equivalents

Atributable to External Financing Fund/Bank account as set out in note 9	21,141,967	14,537,564
Atributable to Capital Replacement Reserve as set out in net assets	7,975,545	6,829,615
Atributable to Unspent Conditional Grants as set out in note 15	13,411,597	9,577,277
Atributable to Housing Development Fund as set out in note 16	62,901,003	58,746,622
Additional Repayment of loans and borrowings as set out in note 9	4,921,801	7,375,864
Atributable to trade receivables as set out in note 12	14,263,878	10,785,097
Atributable to Unspent Conditional Grants other as set out in note 15	-	9,083,029
Atributable for operational account	22,265,633	75,953,124
	146,881,424	**192,888,192**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2010	**30 June 2009**	**30 June 2008**	**30 June 2010**	**30 June 2009**	**30 June 2008**
ABSA BANK - Cheque Account - 102 222 0981	145,722,600	58,147,175	60,729,286	140,888,437	37,938,471	33,462,568
ABSA ACTARIS - Cheque Account - 405 479 8136	498,786	278,654	133,615	-	-	-
ABSA - Mayor of George Discretionary Fund - 914 955 4208	98,567	-	-	-	-	-
Cash on hand	-	-	-	19,740	17,340	12,440
Short-term deposits	4,932,381	154,932,381	242,682,381	5,973,247	154,932,381	242,682,381
Total	**151,252,334**	**213,358,210**	**303,545,282**	**146,881,424**	**192,888,192**	**276,157,389**

7. Property, plant and equipment

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	751,313,407	(14,253,904)	737,059,503	749,944,887	(12,132,423)	737,812,464
Infrastructure	1,234,237,225	(316,284,362)	917,952,863	968,782,680	(254,220,612)	714,562,068
Community assets	161,822,648	(34,058,431)	127,764,217	141,694,093	(28,888,250)	112,805,843
Heritage assets	607,331	-	607,331	607,331	-	607,331
Other	99,806,571	(42,429,082)	57,377,489	85,689,788	(33,627,853)	52,061,935
Work in progress	53,944,978	-	53,944,978	115,736,991	-	115,736,991
Leased vehicles and equipment	694,894	(574,072)	120,822	694,894	(456,407)	238,487
Total	**2,302,427,054**	**(407,599,851)**	**1,894,827,203**	**2,063,150,664**	**(329,325,545)**	**1,733,825,119**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and buildings	737,812,464	906,323	(14,423)	501,580	(2,146,441)	737,059,503
Infrastructure	714,562,069	92,167,512	(2,405,618)	176,231,248	(62,602,348)	917,952,863
Community assets	112,805,843	11,491,821	-	8,636,734	(5,170,181)	127,764,217
Other	52,061,935	14,229,575	(128,074)	694,145	(9,480,092)	57,377,489
Work in progress	115,736,991	124,271,695	-	(186,063,708)	-	53,944,978
Leased vehicles and equipment	238,486	-	-	1	(117,665)	120,822
Heritage assets	607,331	-	-	-	-	607,331
	1,733,825,119	**243,066,926**	**(2,548,115)**	**-**	**(79,516,727)**	**1,894,827,203**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Other Transfers	WIP Transfers	Depreciation	Total
Land and Buildings	704,063,650	66,634	(2,235,895)	37,605,872	-	(1,687,797)	737,812,464
Infrastructure	465,120,773	99,915,529	(14,893)	12,445,108	178,684,284	(41,588,733)	714,562,068
Community assets	99,900,812	7,326,062	(9,922)	(1,075,493)	12,226,276	(5,561,892)	112,805,843
Heritage assets	607,331	-	-	-	-	-	607,331
Other	78,191,765	17,839,247	(94,404)	(38,019,660)	2,068,100	(7,923,113)	52,061,935
Work in progress	160,517,924	159,153,554	-	(10,955,827)	(192,978,660)	-	115,736,991
Leased vehicles and equipment	368,834	-	-	-	-	(130,347)	238,487
	1,508,771,089	**284,301,026**	**(2,355,114)**	**-**	**-**	**(56,891,882)**	**1,733,825,119**

Refer to Appendices B, C and E(2) for more detail on property, plant and equipment. These items of land will be transferred to investment property once the sub-division thereof have been registered. The prior period balances were restated for prior period error adjustments, refer to note 39 and 40 for more detail.

	2010	2009

8. Intangible assets

	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2,689,976	(1,082,174)	1,607,802	2,154,702	(627,924)	1,526,778

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	1,526,778	535,273	(454,249)	1,607,802

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	1,132,321	895,962	(274,864)	(226,641)	1,526,778
Under development - Directory	2,488,668	571,955	-	(3,060,623)	-
	3,620,989	**1,467,917**	**(274,864)**	**(3,287,264)**	**1,526,778**

The prior period balances were restated for prior period error adjustments, refer to note 39 and 40 for more detail.

9. Loans and borrowings

Annuity loans	507,603,258	403,677,987
Other loans	5,844,705	6,611,438
Finance lease liability	-	44,076
	513,447,963	**410,333,501**
	-	-
	513,447,963	410,333,501
Non-current liabilities		
Annuity loans	482,525,317	383,316,143
Other loans	4,858,878	6,611,438
Finance lease liabilities	-	44,076
	487,384,195	**389,971,657**
Current liabilities		
Annuity loans	25,077,941	20,361,844
Other loans	985,827	-
	26,063,768	**20,361,844**
	487,384,195	389,971,657
	26,063,768	20,361,844
	513,447,963	**410,333,501**

	2010	2009

9. Loans and borrowings (continued)

Annuity loans

Annuity loans are repaid over periods varying from 5 years to 19 years (2009: 6 years to 20 years) and at interest rates varying from 6,75% to 12,665% (2009: 6,75% to 11,90%) per annum. Annuity loans are not secured.

Other loans

Other loans are repaid over periods varying from 4 years to 11 years (2009: 4 years to 11 years) and at interest rates varying from 7.58% to 12,00% per annum (2009: 7.58% to 12,00%). Other loans are not secured.

Finance lease liabilities

Finance lease liabilities relates to vehicles and IT equipment with lease terms of 5 years (2009: 5 years). The effective interest rate on finance leases are between 8,35% and 15,5%(2009: 8,35% to 15,5%).The municipality has options to purchase the property, plant and equipment for a nominal amount at the conclusion of the lease agreements. The municipality's obligations under finance leases are secured by the lessors' title to the leased assets.

The management of the municipality is of the opinion that the carrying value of loans and borrowings recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of loans and borrowings was determined after considering the standard terms and conditions of agreements entered into betweenthe municipality and the relevant financing institutions.

The finance lease was redeemed during the year.

Obligations under Finance Lease

Minimum lease payments due		
- within one year	-	45,605
- in second to fifth year inclusive	-	4,004
Total minimum lease payments	**-**	**49,609**

The municipality has the following significant leases:

(i) Computer equipment R 15,873
- Instalments are payable quarterly in advance
- Period outstanding 2 months
- Average effective interest rate 10.97%
- Average quarterly instalment R 4,815.62

(ii) Vehicles R 28,203
- Instalments are payable monthly in arrears
- Period outstanding 16 months
- Effective interest rate, based on prime 12.00%
- Monthly instalment R 2,195.20

10. Trade and other payables from exchange transactions

Trade payables	35,814,454	26,082,549
Payments received in advanced	5,427,885	12,752,494
Retentions	20,497,413	16,381,318
Sundry Deposits	5,403,735	5,119,633
Other payables	10,501,427	3,766,197
Operating lease liability	32,012	49,310
	77,676,926	**64,151,501**

	2010	2009

10. Trade and other payables from exchange transactions (continued)

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipalityhas financial risk policies in place to ensure that all payables are paid within credit timeframe.

The management of the municipality is of the opinion that the carrying value of trade and other payables approximate their fair values.The fair value of trade and other payables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Operating leases with fixed escalation clauses are recognised on the straight-line basis. The operating lease liability was calculated as follows:

Operating lease liability		
Balance at beginning of year	49,310	70,021
Operating lease expenses recognised in the Statement of Financial Performance	(17,298)	(20,711)
	32,012	**49,310**

Refer to note 33 for information on operating lease commitments.

11. VAT payable

Tax refunds payables	6,574,920	1,606,761

VAT is payable to SARS on the receipts basis. Only once payment is received from customers, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

12. Consumer deposits

Electricity and water	14,263,878	11,527,227
Guarantees		
Guarantees held in lieu of electricity and water deposits	6,906,025	6,360,496

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumers deposit held. The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values. The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

	2010	2009

13. Employee benefits

Post-retirement medical aid benefits liability	66,029,797	58,268,516
Ex-gratia pension benefits liability	1,416,920	44,562
Long services awards	8,515,432	5,393,205
Total amount of non-current liability for employee benefits	75,962,149	63,706,283
Current portion of post-retirement medical aid benefits liability	3,281,816	3,281,816
Current portion of ex-gratia pension benefit liability	293,578	285,266
Current portion of long service awards	844,981	773,331
Staff leave	12,888,918	10,932,994
Performance bonus	787,706	916,742
Total amount of current liability for employee benefits	18,096,999	16,190,149
Post-retirement medical aid benefits liability	69,311,613	61,550,332
Ex-gratia pension benefits liability	1,710,498	329,828
Long services awards	9,360,413	6,166,536
Staff leave	12,888,918	10,932,994
Performance bonus	787,706	916,742
Total amount for employee benefits	94,059,148	79,896,432

Post-retirement medical aid benefit liability

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2010. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

In-service members (Employees)	449	406
In-service (Employees) non-members	522	-
Continuation members (Retirees, widowers and orphans)	123	124
	1,094	**530**
In-service members	25,983,456	24,943,062
Continuation members	45,511,366	48,484,592
	71,494,822	**73,427,654**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas

- Global Health

- LA Health

- Key Health

- Samwumed

	2010	2009

13. Employee benefits (continued)

The Current-service cost for the year ending 30 June 2011 is estimated to be R 2 148 916 (2010: R 2 200 992) whereas the interest cost for the ensuing year is estimated to be R 6 430 700 (2010: R 6 658 896).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest

Discount rate	9.20 %	9.00 %
Health care cost inflation rate	7.21 %	7.50 %
Net effective discount rate	1.86 %	1.00 %
Expected retirement age - females	62	65
Expected retirement age - males	62	65

ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA(90) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	71,494,822	73,427,654
Fair value of plan assets	-	-
	71,494,822	73,427,654
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	(2,183,209)	(11,877,322)
Present value of unfunded obligations	71,494,822	73,427,654
Net Liability	**69,311,613**	**61,550,332**
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	2,200,992	1,277,764
Interest cost	6,658,896	6,401,306
Recognised actuarial losses/(gains)	2,183,209	-
Total included in staff cost (refer to note 30)	**11,043,097**	**7,679,070**

	2010	2009

13. Employee benefits (continued)

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	61,550,332	56,532,588
- Recognised past service cost	-	-
- Current service cost	2,200,992	1,277,764
- Interest cost	6,658,896	6,401,306
- Actuarial losses / (gain)	2,183,209	-
- Benefits paid	(3,281,816)	(2,661,326)
Balance at end of year	**69,311,613**	**61,550,332**

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Increase		
Effect on the current service cost and interest cost	10,593,188	10,593,188
Effect on the defined benefit obligation	82,130,000	85,370,305
Decrease		
Effect on the current service cost and interest cost	(7,494,605)	(7,494,665)
Effect on the defined benefit obligation	(62,758,000)	(63,777,748)

Ex-gratia pension benefit liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2010, 29 pensioners were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

The current-service cost for the ensuing year is estimated to be Rnil, whereas the interest cost for the next year is estimated to be R266 081.

Pensioners	3	9
	3	9

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	8.27 %	9.00 %
Pension increase rate	2.58 %	7.00 %
Net effective discount rate	5.55 %	1.87 %
Expected retirement age - females	62	65
Expected retirement age - males	62	65

ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA(90-1) ultimate mortality table

iii) Normal retirement age

	2010	2009

13. Employee benefits (continued)

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3,072,634	3,518,200
Fair value of plan assets	-	-
	3,072,634	3,518,200
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	(1,362,135)	(3,188,372)
Present value of unfunded obligations	3,072,633	3,518,200
Net Liability	**1,710,498**	**329,828**

The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	-	39,914
Interest cost	303,801	50,883
Recognised actuarial losses/(gains)	1,362,135	-
Total included in staff cost (refer to note 30)	**1,665,936**	**90,797**

The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	329,828	505,635
- Recognised past service cost	-	-
- Current service cost	-	39,914
- Interest cost	303,801	50,883
- Actuarial losses / (gains)	1,362,135	-
- Benefits paid	(285,266)	(266,604)
Balance at end of year	**1,710,498**	**329,828**

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Long service awards

The municipality's obligation for Long Service Awards is a defined benfit plan. This plan is wholly unfunded as no contributions are made by the muncipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The muncipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and

	2010	2009

13. Employee benefits (continued)
using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2010.

At year end, 955 (2009: 980) employees were eligible for Long-services Allowances. The future service cost for the ensuing year is estimated to be R1 123 137 (2010: R520 433), whereas the interest cost for the ensuing year is estimated to be R679 379 (2010: R520 188).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rate of interest		
Discount rate	9.08 %	9.00 %
Benefit inflation rate	6.41 %	7.00 %
Net effective discount rate	2.51 %	1.00 %
Expected retirement age - females	62	65
Expected retirement age - males	62	65
ii) Mortality rates		
Pre-retirement	SA 85 - 90 mortality table	

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

The amounts recognised in the Statement of Financial Position are as follows:		
Projected fund obligations	9,360,413	6,166,536
Plan assets	-	-
	9,360,413	6,166,536
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	520,433	969,775
Interest cost	520,188	536,285
Recognised actuarial losses/(gains)	2,926,587	277,181
Total included in staff cost (refer to note 30)	**3,967,208**	**1,783,241**
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of year	6,166,536	5,394,005
- Current service cost	520,433	969,775
- Interest cost	520,188	536,285
- Recognised actuarial losses	2,926,587	277,181
- Benefits paid	(773,331)	(1,010,710)
Balance at end of year	**9,360,413**	**6,166,536**

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

	2010	2009

13. Employee benefits (continued)

Multi-employer retirement benefit information

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Cape Joint Pension Fund and Cape Joint Retirement Fund are defined benefit plans, whereas the Municipal Councillors Fund and the Providend Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R14 613 388 represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

Cape Joint Pension Fund

The Cape Joint Pension Fund's contribution rate payable is 9% by the members and 18% by Council. The last valuation performed for the year ended 30 June 2009 revealed that the fund had an actuarial surplus of R182, 73 million with a funding level of 106.5%, and was in a sound financial state as at 30 June 2009.

During the year a Council Meeting was held and it was noted that George Municipality is liable for a payment of R 8 284 726 to the Cape Joint Fund. Although payment is currently due, the trustees of the fund are aware of the fact that Council may not be able to pay the full amount due to budgetary constraints. The matter will be resolved in due course.

Cape Joint Retirement Fund

The contribution rate paid by the members 9% (2009: 9%) and Council 18% (2009: 18%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2009 revealed that the fund had an actuarial surplus of R42.93 million with a funding level of 112.2%. The fund was certified to be in a sound financial position as at 30 June 2009.

SALA Pension Fund:

At the valuation date of 1 July 2009 the SALA pension fund was 96% (1 July 2006: 110%) funded. The valuator indicated that although the fund was less than 100% funded at the valuation date, no additional action was required at that stage to rectify the situation. The valuator recommended that the employers continue to contribute at the current rate.

The contribution rate paid by the members (8.60%) and Council (18.07%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors on 30 June 2008 stated that it is in a sound financial

	2010	2009

13. Employee benefits (continued)
position.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further details could be provided for after the last valuation, being 30 June 2008.

South African Municipal Workers Union Pension Fund

The actuarial valuator of the Pension Fund for members on 30 June 2005 stated that it is in a sound financial position.

The contribution rate paid by the members (9.00%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

14. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Provision relating to legal claims	3,745,850	1,748,000	(796,700)	4,697,150

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Provision relating to legal claims	-	3,745,850	3,745,850

The provision relates to management's best estimate of the municipality's exposure to financial losses due to court cases instituted against it. The provision is expected to be utilised within the next year.

An amount of R 2 584 680 (2009:R 3 342 686) relates to a dispute with the South African Local Authorities Pension Fund. The court ruled in favour of the claimant, but Council is in the process of requesting the court to set the matter aside.

An amount of R 364 470 (2009:R 403 164) was awarded to Shirley Steyn, but Council is busy with a submission requesting the court to set the matter aside.

An amount of R 1 748 000 was provided for a provision due a bridge at Katrivier being swept away. Members of the community drowned and claim has been lodged against the municipality.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Conditional Grants from other spheres of Government		
National governement grants	13,112,619	10,839,720
Provicial government grants	24,581	7,206,581
Local government grants	274,397	614,005
	13,411,597	**18,660,306**

The amount of unspent conditional grants and receipts are invested in ring-fenced investment accounts until utilised. Refer to Appendix F for more detail on conditional grants.

Notes to the Annual Financial Statements

	2010	2009

16. Housing development fund

Unappropriate surplus	19,165,433	17,301,528
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	72,548,676	**70,684,771**

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	7,239,013	8,585,508
Inventory	708,401	1,392,260
Trade and other receivables from exchange transactions	1,700,259	1,960,381
Short term investments	62,901,003	58,746,622
Total Housing Development Fund Assets and Liabilities	**72,548,676**	**70,684,771**

17. Rental revenue

Buildings	667,340	362,649
Halls	351,418	379,789
Other facilities	800,423	1,114,827
	1,819,181	**1,857,265**

18. Service charges

Fire Station - Sale of Water	7,618	9,523
Refuse removal	38,463,633	33,334,314
Sale of electricity	267,033,660	212,089,697
Sale of water	72,430,169	62,936,396
Sewerage and sanitation charges	51,395,069	44,889,402
	429,330,149	**353,259,332**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariff.

19. Government grants and subsidies

Provincial: Equitable share	43,526,573	39,634,234
Provincial: Housing subsidy	6,291,140	27,501,401
Provincial: Proclaims roads subsidy	229,000	788,461
Provincial: Community Development Workers	72,000	32,105
Finance mangement grant	954,712	1,328,929
Literacy programmes and training funds	687,191	205,962
Other subsidies	10,269,164	2,433,096
Library	783,000	755,946
MIG: Flood damage	116,550	5,583,000
Capital government grant reserve - National	88,031,611	(3,685,924)
Capital government grant reserve - Provincial	3,259,977	37,226,387
Capital government grant reserve - Other	4,286,438	31,102,013
	158,507,356	**142,905,610**

	2010	2009

20. Property rates

Rates received

Commercial	23,426,848	22,573,954
Housing Schemes	44,778	31,294
Industrial	6,457,778	6,038,302
Impermissible rates	(7,294,560)	(3,811,482)
Other (Flat rate)	49,122	47,722
Residential	107,540,912	95,270,257
State (Domestic)	169,800	193,060
State (Erven and school - business tariff)	5,538,049	5,034,480
Less: Income forgone	(27,882,680)	(25,048,266)
	108,050,047	**100,329,321**

Valuations

Commercial	5,242,078,408	5,219,770,988
Industrial	1,445,016,320	1,472,756,470
Municipal (non-taxable valuations)	1,362,824,190	1,331,562,840
Residential	26,885,228,042	26,604,836,621
State (Domestic)	42,450,000	52,605,000
State (Erven and schools)	1,239,214,371	1,227,921,871
	36,216,811,331	**35,909,453,790**

Assessment rates are levied on the value of land and improvements, which valuation must be performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

A rebate of 20% (2009:20%) was allowed on residential properties, excluding residential properties in the rural areas, whilst rebates of 10% - 40% (2009: 10% - 40%) were applied to pensioners, based on the annual income of the ratepayer. A discount of 20% was granted to the State. Business tariffs at 0.4469 (2009: 0.4100) for Commercial, Industrial, State Erven and Schools, and for all Areas.

Rates are levied annually on property owners and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the 15th of each month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

George	**Site Valuations**	**Building Valuations**	**Total Valuations**	**Actual Rates Levied**
30 June 2010	**R**	**R**	**R**	**R**
Commercial	183,405,020	3,220,892,370	3,404,297,390	15,213,805
Industrial	88,845,820	1,356,170,500	1,445,016,320	6,457,778
Residential	2,275,661,020	15,778,846,195	18,054,507,215	72,218,029
State (domestic)	13,885,000	28,565,000	42,450,000	189,709
State (erven and school)	140,972,000	947,370,000	1,088,342,000	4,863,800
Municipal (non-taxable valuations)	800,328,190	562,496,000	1,362,824,190	-
	3,503,097,050	21,894,340,065	25,397,437,115	98,943,121

	2010	2009

20. Property rates (continued)

George 30 June 2009	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	154,713,500	3,235,675,970	3,390,389,470	13,900,597
Housing schemes	-	-	-	31,293
Industrial	115,318,970	1,357,437,500	1,472,756,470	6,038,302
Other (flat rate)	-	-	-	47,722
Residential	2,229,649,370	15,591,805,295	17,821,454,665	65,404,739
State	17,645,000	34,960,000	52,605,000	193,060
State (erven and school)	149,132,000	928,740,000	1,077,872,000	4,419,275
Municipal (non-taxable valuations)	678,583,340	652,979,500	1,331,562,840	-
	3,345,042,180	21,801,598,265	25,146,640,445	90,034,988

The last valuation came into effect on 1 July 2008.

Uniform rates of 0,4000 (2009: 0,3670) cent in the Rand on total valuations applied to determine assessment rates.

Wilderness, Herolds Bay, Victoria Bay, Oubaai & Kleinkrantz 30 June 2010	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	70,457,000	639,030,150	709,487,150	3,170,698
Residential	1,281,735,151	3,860,259,000	5,141,994,151	20,567,977
State (erven and school)	31,640,000	12,322,000	43,962,000	196,466
	1,383,832,151	4,511,611,150	5,895,443,301	23,935,141

Wilderness, Herolds Bay, Victoria Bay, Oubaai & Kleinkrantz 30 June 2009	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	66,347,000	408,880,150	475,227,150	1,948,431
Residential	1,331,202,330	3,793,884,500	5,125,086,830	17,871,178
State	31,640,000	12,322,000	43,962,000	180,244
	1,429,189,330	4,215,086,650	5,644,275,980	19,999,853

The last General Valuation came into effect on 1 July 2008.

Uniform rates of 0,4000 (2009: 0,3487) cent in the Rand on total valuations applied to determine assessment rates.

Hoekwil, Wilderness Heights & Touwsranten Smallholdings 30 June 2010	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	1,040,000	52,713,500	53,753,500	240,224
Residential	138,816,474	556,876,750	695,693,224	2,782,773
State (erven and school)	-	1,515,000	1,515,000	6,771
	139,856,474	611,105,250	750,961,724	3,029,768

Notes to the Annual Financial Statements

	2010	2009

20. Property rates (continued)

Hoekwil, Wilderness Heights & Touwsranten Smallholdings 30 June 2009	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	1,040,000	58,413,500	59,453,500	243,759
Residential	137,353,474	567,575,750	704,929,224	2,328,381
State (erven and school)	-	1,515,000	1,515,000	6,212
	138,393,474	627,504,250	765,897,724	2,578,352

The last General Valuation came into effect on 1 July 2008.

Uniform rates of 0,4000 (2009: 0,3303) cent in the Rand on total valuations applied to determine assessment rates.

Rural areas 30 June 2010	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	160,830,100	913,710,268	1,074,540,368	4,802,121
Residential	1,040,234,040	1,952,799,412	2,993,033,452	11,972,134
State (erven and school)	49,215,490	56,179,881	105,395,371	471,012
	1,250,279,630	2,922,689,561	4,172,969,191	17,245,267

Rural areas 30 June 2009	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	64,889,100	1,229,811,768	1,294,700,868	5,308,274
Residential	1,035,292,990	1,918,072,912	2,953,365,902	10,838,853
State	48,392,990	56,179,881	104,572,871	428,749
	1,148,575,080	3,204,064,561	4,352,639,641	16,575,876

The last General Valuation came into effect on 1 July 2008.

Uniform rates of 0,4000 (2009: 0,3670) cent in the Rand on total valuations applied to determine assessment rates.

A rebate of 80,00% (2009: 80,00%) was allowed on residential properties, whilst a rebate of 0% (2009: 0%) was allowed on business properties.

Notes to the Annual Financial Statements

	2010	2009

20. Property rates (continued)

Total for all areas 30 June 2010	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	415,732,120	4,826,346,288	5,242,078,408	23,426,848
Housing schemes	-	-	-	44,778
Industrial	88,845,820	1,356,170,500	1,445,016,320	6,457,778
Other (flat rate)	-	-	-	49,122
Residential	4,736,446,685	22,148,781,357	26,885,228,042	107,521,003
State	13,885,000	28,565,000	42,450,000	189,709
State (erven and school)	221,827,490	1,017,386,881	1,239,214,371	5,538,049
Municipal (non-taxable valuations)	800,328,190	562,496,000	1,362,824,190	-
	6,277,065,305	29,939,746,026	36,216,811,331	143,227,287

Total for all areas 30 June 2009	Site Valuations R	Building Valuations R	Total Valuations R	Actual Rates Levied R
Commercial	286,989,600	4,932,781,388	5,219,770,988	21,401,061
Housing schemes	-	-	-	31,293
Industrial	115,318,970	1,357,437,500	1,472,756,470	6,038,302
Other (flat rate)	-	-	-	47,722
Residential	4,733,498,164	21,871,338,457	26,604,836,621	96,443,151
State	97,677,990	103,461,881	201,139,871	802,053
State (erven and school)	149,132,000	930,255,000	1,079,387,000	4,425,487
Municipal (non-taxable valuations)	678,583,340	652,979,500	1,331,562,840	-
	6,061,200,064	29,848,253,726	35,909,453,790	129,189,069

21. Investment revenue

Interest revenue		
Interest income on loans and receivables		
Art 185(a) arrangements	109,086	118,867
Land sales	74,815	49,252
Outstanding trade receivables	3,196,811	3,955,055
Selling schemes	735,669	867,113
Vehicle loans	-	1,292
Victoria Bay loans	10,693	11,020
External investments		
Interest income on bank deposits	4,395,847	8,927,126
Interest income on unimpaired held-to-maturity investments	10,276,830	16,537,775
	18,799,751	**30,467,500**
	-	-
	18,799,751	30,467,500

Notes to the Annual Financial Statements

	2010	2009

22. Other income

Application fees for second dwelling	197,122	592,443
Building plan fees and related income	4,518,628	5,853,205
Contributions received to capital projects	9,947,189	12,975,329
Sundry income	7,157,957	8,705,718
Public donations received	3,000,000	-
Sale of erven	10,763,377	1,822,806
	35,584,273	**29,949,501**

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 17 - 21, which are billed to or paid for by the users as the services are required according to approved tariffs.

23. Bulk purchases

Electricity	151,841,435	119,762,528

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. No water is purchased.

24. Contracted services

Other Contractors	34,039,033	48,713,420

25. Depreciation and amortisation

Property, plant and equipment	79,458,338	56,891,882
Intangible assets	454,250	274,864
	79,912,588	**57,166,746**

26. Finance costs

Finance leases	4,710	26,208
Loans and borrowings	47,337,356	31,723,739
	47,342,066	**31,749,947**

The weighted average capitalisation rate on funds borrowed generally is 9.70% per annum (2009: 10.07%).

	2010	2009

27. General expenses

Advertising	785,786	1,181,999
Auditors remuneration	2,581,694	1,710,539
Bank charges	1,000,555	1,057,696
Chemicals	7,162,891	9,737,239
Consulting and professional fees	241,623	1,276,978
Energy Costs	4,958,360	6,303,352
Flood Damage	500,000	17,987,995
IT expenses	9,235	18,102
Insurance	1,301,917	3,390,261
Lease rentals on operating lease	1,535,478	1,239,866
Net Realisable Value written-down	231,430	14,765
Other General Expenses	48,387,972	35,802,134
Printing and stationery	2,083,265	2,435,307
Telephone and fax	1,926,184	3,421,826
Training	1,006,522	1,902,188
Travel - local	614,170	1,090,074
	74,327,082	**88,570,321**

These figures for the prior period have been adjusted, refer to the note on comparative figures (note 39 and 40) for more detail with regards to this change.

28. Grants and subsidies paid

Other subsidies		
Bursary Grants	181,107	223,846
Equitable Share	43,288,124	35,074,567
Festival	616,805	480,000
Gifts	361,082	1,692,169
International Sevens Rugby	3,250,475	2,884,933
Merit Grants	32,938	37,459
Social Services Projects	-	19,078
SPCA - Small Animal Pound	1,065,173	912,371
	48,795,704	**41,324,423**
Grants paid to ME's	-	-
Other subsidies	48,795,704	41,324,423

The Bursary grants are in respect of providing bursaries.

Equitable Share Projects are projects carried out with grants received to uplift the community.

Festival money received from the Extended Public Works Programme was utilised to create work and job opportunities in the community.

Gifts are paid to assist individuals from the community in need caused by a disastrous event.

International Sevens Rugby grants are made available by the Mayor on application, after consulting with the Municipal Manager on the merits of such an application.

Merit Grants received from the Extended Public Works Programme was utilised to create work and job opportunities in the community.

Social Service Projects are paid to assist individual from the community in need caused by a disastrous event.

	2010	2009

28. Grants and subsidies paid (continued)

SPCA Grants available on application after consulting with the Municipal Manager on the merit of such an application.

29. Impairment of assets

Impairments		
Computer network: Impairment expenses	-	3,287,264
Impairment of trade and other receivables	11,607,563	21,272,865
	11,607,563	**24,560,129**
Trade and other receivables	2,338,536	(14,502,597)
	11,607,563	24,560,129
	2,338,536	(14,502,597)
Total impairment losses (recognised) reversed	**13,946,099**	**10,057,532**

30. Personnel costs

Basic	133,423,463	114,796,537
Housing benefits and allowances	1,425,851	1,641,259
Long-service awards	1,753,097	1,928,381
Medical aid - company contributions	7,274,477	6,363,511
Other payroll levies	2,585,008	2,195,488
Overtime payments	11,424,737	13,211,679
Post-employment defined benefits	16,676,241	9,553,108
- Current service cost	2,721,425	2,287,453
- Interest cost	7,482,885	6,988,474
- Net actuarial losses recognised	6,471,931	277,181
Travel, motor car, accommodation, subsistence and other allowances	11,659,002	10,784,431
UIF	1,242,058	1,122,342
Pension	18,214,551	16,492,082
WCA	1,699,399	1,077,263
Acting allowances	759,608	-
SDL	1,632,988	1,483,925
Ad hoc trips	931,154	1,068,709
	210,701,634	**181,718,715**

Remuneration of municipal manager

Annual Remuneration	866,778	776,433
Car Allowance	84,000	84,000
Performance Bonuses	77,439	111,289
Contributions to UIF, Medical and Pension Funds	1,497	1,497
Acting expenses	234,778	-
	1,264,492	**973,219**

Remuneration of chief finance officer

Annual Remuneration	602,797	527,350
Car Allowance	90,000	90,000
Performance Bonuses	107,782	99,522
Contributions to UIF, Medical and Pension Funds	115,088	102,693

	2010	2009
30. Personnel costs (continued)		
Acting expenses	54,954	-
	970,621	**819,565**

Notes to the Annual Financial Statements

	2010	2009

30. Personnel costs (continued)

Remuneration of assistant municipal manager

Annual Remuneration	-	370,096
Car Allowance	-	97,359
Performance Bonuses	-	25,111
Contributions to UIF, Medical and Pension Funds	-	15,763
Other	-	20,000
Acting expenses	288,524	-
	288,524	**528,329**

Remuneration of executive director: Corporate Services

Annual Remuneration	-	375,949
Car Allowance	-	103,636
Performance Bonuses	83,304	-
Contributions to UIF, Medical and Pension Funds	-	87,165
	83,304	**566,750**

Remuneration of executive director: Community Safety Services

Annual Remuneration	510,113	452,832
Car Allowance	118,080	118,080
Performance Bonuses	95,760	-
Contributions to UIF, Medical and Pension Funds	129,125	114,586
Acting expenses	77,431	-
	930,509	**685,498**

Remuneration of executive director: Planning and Housing

Annual Remuneration	529,181	471,607
Car Allowance	96,000	96,000
Performance Bonuses	95,760	62,124
Contributions to UIF, Medical and Pension Funds	143,834	117,890
Acting expenses	14,579	-
	879,354	**747,621**

Remuneration of executive director: Envirolmental Affairs

Annual Remuneration	496,976	439,237
Car Allowance	139,200	139,200
Performance Bonuses	95,760	81,054
Contributions to UIF, Medical and Pension Funds	132,838	107,060
Acting expenses	38,126	-
	902,900	**766,551**

Notes to the Annual Financial Statements

	2010	2009

30. Personnel costs (continued)

Remuneration of executive director: Civil Engineering Services

Annual Remuneration	546,375	483,502
Car Allowance	132,000	132,000
Performance Bonuses	101,573	85,973
Contributions to UIF, Medical and Pension Funds	124,827	111,519
Acting expenses	11,942	-
	916,717	**812,994**

Remuneration of executive director: Electro- Technical Services

Annual Remuneration	488,422	431,142
Car Allowance	144,000	144,000
Performance Bonuses	95,760	75,929
Contributions to UIF, Medical and Pension Funds	124,895	110,356
Acting expenses	22,382	-
	875,459	**761,427**

31. Remuneration of councillors

Executive Major	391,945	336,218
Deputy Executive Mayor	278,970	211,024
Speaker	345,761	313,646
Majoral Commitee Members	1,766,086	1,774,812
Councillors	3,349,329	3,026,226
Councillors' pension contribution	714,145	778,838
Travelling expenses	2,323,070	2,180,205
Cellphone expenses	473,679	441,435
Councillors' contribution to medical aid	114,883	125,198
	9,757,868	**9,187,602**

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayor Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.

Notes to the Annual Financial Statements

	2010	2009
32. Cash generated from operations		
Surplus	9,087,880	22,670,990
Adjustments for:		
Depreciation and amortisation	79,912,588	57,166,746
Loss on sale of non-current assets and disposal groups	2,466,861	2,345,381
Gain on sale of non-current assets and disposals groups	(95,218)	(681,510)
Interest income	(18,799,751)	(30,467,500)
Finance costs	47,342,066	31,749,947
Movement in Provision for doubtful debts (Trade receivables)	3,218,120	(8,382,231)
Movements in retirement benefit assets and liabilities	14,162,716	4,597,323
Movements in provisions	951,300	3,745,850
Operating lease expenses accrued due to straightlining	(17,298)	-
Fair value adjustment of inventory	231,430	-
Impairment losses - Computer expenses	-	3,287,264
Prior period error - stale cheques	4,554	-
Provision for obsolete stock	-	14,765
Prior period errors - refer to Statement in change in Net Assets	-	(3,486,000)
Prior period errors - refer to Statement in change in Net Assets	-	(988,890)
Prior period errors - refer to note 39.6,39.8 and 39.9 (PPE corrections)	-	8,009,431
Prior period errors-refer to note 39.2 (Intangible Assets corrections)	-	(34,876)
Changes in working capital:		
Inventories	22,716,758	8,224,741
(Increase)/Decrease in Trade receivables from exchange transactions	(18,862,032)	75,038
(Increase)/Decrease in Trade receivables from non-exchange transactions	(1,145,814)	(3,655,766)
(Increase)/Decrease in Other receivables from exchange transactions	(35,257,568)	(4,707,923)
Trade and other payables from exchange transactions	13,542,721	20,702,620
VAT	4,968,159	9,944,460
Unspent conditional grants and receipts	(5,248,709)	(10,219,897)
Consumer deposits	2,736,651	1,021,482
	121,915,414	**110,931,445**

			2010	2009
33. Commitments				
Authorised capital expenditure				
Approved and contracted for:				
• Infrastructure			81,862,400	124,912,500
• Community			1,300,000	10,580,000
• Other			-	50,000
			83,162,400	**135,542,500**
Approved but not yet contracted for:				
• Infrastructure			66,950,000	96,391,960
• Community			15,765,000	13,335,000
• Other			9,303,900	3,810,300
			92,018,900	**113,537,260**
Total Capital Commitments			**175,181,300**	**249,079,760**
This expenses will be financed from:				
• External loans	-	-	65,781,240	125,131,500
• Capital replacement reserve	-	-	20,352,400	24,007,360
• Government grants	-	-	78,547,660	72,040,900
• Other resources	-	-	10,500,000	27,900,000
	-	**-**	**175,181,300**	**249,079,760**
Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year			495,326	825,721
- in second to fifth year inclusive			313,278	808,604
			808,604	**1,634,325**
The total operating lease liability (refer to note 10)			32,012	49,310

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	368,504	361,407
- in second to fifth year inclusive	656,779	979,336
- later than five years	629,363	675,311
	1,654,646	**2,016,054**

Operating leases relate to property owned by the municipality with lease terms of between 5 to 20 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lesee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of

	2010	2009

33. Commitments (continued)
the lease period.

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:
· Municipal buildings
· Vacant land
No restrictions have been imposed on the municipality in terms of the operating lease agreements.

34. Investment property

The following items of land, currently included in property, plant and equipment will be transferred to investment property once sub-division thereof have been registered:

Riding club
Mini gholf course
Crocodile farm
Stand adjacent to Golden Harvest
Property adjacent to Garden Route Dam

	2010	2009

35. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2010

	Loans and receivables	Held to maturity investments	Total
Non-current receivables			
Housing scheme loans	2,709,957	-	2,709,957
Sale of erven loans	244,176	-	244,176
Loans to other organisations	575,725	-	575,725
Trade receivables			
Exchange transactions			
Electricity	30,594,635	-	30,594,635
Housing rentals	328,466	-	328,466
Loan instalments	1,008,932	-	1,008,932
Other consumer receivables	1,730,551	-	1,730,551
Refuse	7,139,346	-	7,139,346
Sewerage	8,573,731	-	8,573,731
Water	15,155,266	-	15,155,266
Non-exchange transactions			
Assessment rates	12,653,369	-	12,653,369
Other receivables			
Exchange transactions			
Salary control accounts	375,970	-	375,970
Short-term loans	18,770	-	18,770
Sundry deposits	20,000	-	20,000
Sundry receivables	60,460,365	-	60,460,365
Non-cash portion of Housing Development Fund	1,700,259	-	1,700,259
Current portion of non-current receivables			
Housing scheme loans	435,695	-	435,695
Loans to other organisations	37,589	-	37,589
Sale of erven loans	44,508	-	44,508
Actaris meter cost	284,641	-	284,641
Cash and cash equivalents			
Cash on hand	140,888,437	-	140,888,437
Bank balance	19,740	-	19,740
Short-term portion of investments	-	5,973,247	5,973,247
	285,000,128	**5,973,247**	**290,973,375**

	2010	2009

35. Financial assets by category (continued)

2009

	Loans and receivables	Held to maturity investments	Total
Non-current receivables			
Housing schemes loans	3,300,036	-	3,300,036
Sale of erven loans	329,634	-	329,634
Loan to other organisations	643,177	-	643,177
Trade receivables			
Exchange transactions			
Electricity	15,536,395	-	15,536,395
Housing rentals	219,832	-	219,832
Loan instalments	994,979	-	994,979
Other consumer receivables	1,632,804	-	1,632,804
Refuse	6,856,936	-	6,856,936
Sewerage	8,363,583	-	8,363,583
Water	13,564,105	-	13,564,105
Non-exchange transactions			
Assessment rates	13,225,936	-	13,225,936
Other receivables			
Exchange transactions			
Salary control accounts	907,488	-	907,488
Short-term loans	21,370	-	21,370
Sundry deposits	20,000	-	20,000
Sundry receivables	24,408,557	-	24,408,557
Non-cash portion of Housing Development Fund	1,960,381	-	1,960,381
Current portion of non-current receivables			
Housing scheme loans	312,521	-	312,521
Loans to organisations	33,926	-	33,926
Sale of erven loans	122,132	-	122,132
Actaris meter loans	431,166	-	431,166
Cash and cash equivalents			
Cash on hand	17,340	-	17,340
Bank balances	37,938,471	-	37,938,471
Short-term portion of investments	-	154,932,381	154,932,381
	130,840,769	**154,932,381**	**285,773,150**

	2010	2009

36. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2010

	Fair value through surplus or deficit	Total
Long-term liabilities		
Annuity loans	482,525,318	482,525,318
Other loans	4,858,877	4,858,877
Annuity loans	25,077,940	25,077,940
Other loans	985,828	985,828
Employee benefits		
Current portion of post-retirement medical aid benefits liability	3,281,816	3,281,816
Current portion of ex-gratia pension benefit liability	293,578	293,578
Current portion of long service awards	844,981	844,981
Accumulated leave	12,888,918	12,888,918
Performance bonus	787,706	787,706
Consumer deposits		
Electricity and water	14,263,878	14,263,878
Trade and other payables		
Trade payables	35,814,454	35,814,454
Payment received in advance	5,427,885	5,427,885
Retentions	20,497,413	20,497,413
Sundry deposits	5,403,735	5,403,735
Other payables	10,501,427	10,501,427
	623,453,754	**623,453,754**

2009

	Fair value through surplus or deficit	Total
Long-term liabilities		
Annuity loans	383,316,142	383,316,142
Other loans	6,611,438	6,611,438
Current portion of long-term loan liabilities		
Annuity loans	20,361,844	20,361,844
Employee benefits		
Accumulated leave	10,932,994	10,932,994
Current portion of post-retirement medical aid benefits liability	3,281,816	3,281,816
Current portion of ex-gratia pension benefit liability	285,266	285,266
Current portion of long service awards	773,331	773,331
Performance bonus	916,742	916,742
Consumer deposits		
Electricity and water	11,527,227	11,527,227
Trade and other payables		
Trade payables	26,082,554	26,082,554
Payments received in advance	12,752,494	12,752,494
Retentions	16,381,318	16,381,318
Sundry deposits	5,119,633	5,119,633
Other payables	3,766,197	3,766,197

	2010	2009
36. Financial liabilities by category (continued)		
	502,108,996	**502,108,996**
37. Contingent liabilities		
Guarantees	32,381	32,381

The municipality issued bank guarantees in respect of building society and commercial bank housing loans to municipal officials in favour of the lending institutions.

Breach of contract		
Panasonic Business Systems Southern Cape	85,551	85,551
Compensation of damages		
Magdalena Ruiters	85,000	85,000
Dr MC Chimes	61,272	61,272
MP Adendorff	2,820,661	2,820,661
James & 10 others	1,748,000	1,748,000
MTO Forestry	972,315	-
	5,772,799	4,800,484

Council is involved in law suits and is being sued for breach of contract and compensation for damages. Council is defending the matters. It is anticipated that the matters will be concluded during the ensuing financial year.

	2010	2009

38. Related parties

Relationships

Councillor	
- Ward 1	C Laws
- Ward 2	C Neethling
- Ward 3	TJ Botha
- Ward 4	RA Kruger
- Ward 5	LBC Esau
- Ward 6	AT Jantjies
- Ward 7	FZ Ntozini
- Ward 8	B Petrus
- Ward 9	T Teyisi
- Ward 10	JS Thanda
- Ward 11	NF Kamte
- Ward 12	FS Guga
- Ward 13	CT Williams
- Ward 14	HJ Jones
- Ward 15	CM Remas
- Ward 16	RW Londt
- Ward 17	D Maritz
- Ward 18	SJ Bezuidenhout
- Ward 19	I Kritzinger
- Ward 20	MJ Mbuzwana
Proportional	JST Alberts
Proportional	NA Bityi
Proportional	C Bob
Proportional	BM Cornelius
Proportional	PH de Swardt
Proportional	M Draghoender
Proportional	PJL Grobler
Proportional	DH Hartman
Proportional	BF Heynes
Proportional	PB Komani
Proportional	PS Leholo
Proportional	JJ Muller
Proportional	N Julia
Proportional	M Olivier
Proportional	J Pretorius
Proportional	ML Rabinowitz
Proportional	PJ van der Hoven
Proportional	AJ van Zyl
Proportional	W Witbooi
Directors	
Directorate Financial Services	LH Fourie
	M Cupido (Acting)
Directorate Civil Engineering Services	H Basson
Directorate Enviromental Services	AJ Smith
Directorate Community Services	D Beeka
	B Nelson (Acting)
Directorate Planning & Housing	SB Erasmus
Directorate Electrotechnical Services	K Grünewald
Municipal Manager	CM Africa
	DG Ras (Acting)

		2010	2009

38. Related parties (continued)

Related party transactions

Related transactions for the year ended 30 June 2010		Rates	Service charges	Total	Outstanding balance
Municipal manager & Councillors					
Executive mayor	M Draghoender	-	-	-	-
Speaker	B Petrus	-	2,853	2,853	-
Ex-Co Memb.: Enviromental Affairs	S Leholo	-	1,920	1,920	-
Ex-Co Memb.: Electrotechnical Services	M Olivier	-	2,531	2,531	-
Ex-Co Memb.: Corporate & HR	T Teyisi	-	-	-	-
Ex-Co Memb.: Civil Engineering	M Rabinowitz	2,448	3,450	5,898	-
Ex-Co Memb.: Financial Services	C Williams	-	4,565	4,565	-
Ex-Co Memb.: Community Safety	J Ncamazana	288	2,606	2,894	-
Ex-Co Memb.: Planning and Housing	B Cornelius	816	3,593	4,409	-
Councillor: Ward 1	C Laws	-	2,231	2,231	-
Councillor: Ward 14	H Jones	-	-	-	-
Councillor: Ward 17	D Maritz	-	2,711	2,711	-
Councillor: Ward 3	TJ Botha	6,384	4,984	11,368	877
Councillor: Ward 4	A Kruger	3,248	4,179	7,427	-
Councillor: Ward 6	A Jantjies	352	5,251	5,603	-
Councillor: Ward 7	F Ntozini	-	-	-	-
Councillor: Ward 10	J Thanda	-	1,920	1,920	-
Councillor: Ward 11	N Kamte	-	3,983	3,983	24
Councillor: Ward 12	F Guga	-	3,494	3,494	-
Councillor: Ward 15	M Remas	2,640	5,127	7,767	-
Councillor: Ward 18	S Bezuidenhout	4,848	3,268	8,116	585
Councillor: Ward 19	I Kritzinger	2,896	6,139	9,035	-
Councillor: Ward 20	J Mbuzwana	-	2,491	2,491	-
Councillor: Ward 5	L Esau	2,544	4,152	6,696	-
Councillor: PR	A Bityi	-	2,491	2,491	-
Councillor: PR	J Pretorius	672	2,491	3,163	-
Councillor: PR	D Hartman	352	3,047	3,399	-
Councillor: PR	PJ van der Hoven	4,400	4,674	9,074	-
Councillor: PR	A van Zyl	6,352	3,678	10,030	87
Councillor: PR	P Grobler	3,472	9,905	13,377	986
Councillor: PR	B Heynes	2,106	11,307	13,413	-
Councillor: PR	P Komani	-	2,892	2,892	-
Councillor: PR	J Muller	319	-	319	-
Councillor: PR	C Bob	1,104	2,491	3,595	-
Councillor: PR	C Neethling	4,420	4,930	9,350	-
Councillor: PR	R Londt	2,064	11,681	13,745	-
Councillor: PR	J Alberts	5,264	3,591	8,855	594
Councillor: PR	P de Swardt	6,608	4,601	11,209	-
Councillor: PR	W Witbooi	-	-	-	-
Section 57 Personnel					
Municipal Manger	CM Africa	4,832	3,081	7,913	39
Municipal Manger - Acting	DG Ras	-	-	-	-
Deputy Municipal Manger - Acting	S James	-	-	-	-
Chief Financial Officer	LH Fourie	6,416	3,926	10,342	-
Chief Financial Officer - Acting	M Cupido	1,872	4,448	6,320	-
Director: Community Safety	D Beeka	4,432	7,143	11,575	-
Director: Community Safety - Acting	BJ Nelson	3,344	5,188	8,532	409
Director: Electrotechnical Services	K Grünewald	5,360	3,786	9,146	-

				2010	2009
38. Related parties (continued)					
Director: Civil Engineering Services	H Basson	6,980	7,491	14,471	1,188
Director: Planning and Housing	SB Erasmus	-	1,241	1,241	-
Director: Enviromental Affairs	A Smith	5,008	3,319	8,327	-
Councillors, Municipal Manager & Section 57 Personnel		**101,841**	**178,850**	**280,691**	**4,789**

Related transactions for the year ended 30 June 2009		**Rates**	**Service charges**	**Total**	**Outstanding balance**
Municipal manager & Councillors					
Executive mayor	P de Swardt	6,063	5,680	11,743	-
Speaker	B Petrus	-	3,006	3,006	-
Ex-Co Memb.: Enviromental Affairs	P Grobler	3,186	8,539	11,725	750
Ex-Co Memb.: Electrotechnical Services	H Jones	-	-	-	-
Ex-Co Memb.: Corporate & HR	L Esau	2,598	3,610	6,208	-
Ex-Co Memb.: Strategic Services	J Muller	293	-	293	-
Ex-Co Memb.: Civil Engineering	D Maritz	-	2,677	2,677	-
Ex-Co Memb.: Financial Services	C Neethling	4,055	4,883	8,938	-
Ex-Co Memb.: Community Safety	R Londt	1,894	9,846	11,740	-
Ex-Co Memb.: Planning and Housing	M Draghoender	-	-	-	-
Councillor: Ward 1	C Laws	-	2,466	2,466	-
Councillor: Ward 3	TJ Botha	5,857	5,057	10,914	898
Councillor: Ward 4	A Kruger	2,980	4,193	7,173	-
Councillor: Ward 6	A Janties	323	3,436	3,759	-
Councillor: Ward 7	F Ntozini	-	-	-	-
Councillor: Ward 9	T Teyisi	-	-	-	-
Councillor: Ward 10	J Thanda	-	1,578	-	-
Councillor: Ward 11	N Kamte	-	3,438	3,438	344
Councillor: Ward 12	F Guga	-	3,057	3,057	-
Councillor: Ward 13	C Williams	-	3,568	3,568	-
Councillor: Ward 15	M Remas	2,422	4,761	7,183	-
Councillor: Ward 18	S Bezuidenhout	4,697	4,448	9,145	736
Councillor: Ward 20	J Mbuzwana	-	2,444	2,444	-
Councillor: PR	A Bityi	-	2,087	2,087	-
Councillor: PR	B Cornelius	749	3,085	3,834	-
Councillor: PR	D Hartman	323	2,773	3,096	-
Councillor: PR	B Heynes	1,522	2,683	4,205	1,949
Councillor: PR	M Rabinowitz	2,246	3,469	5,715	-
Councillor: PR	P Komani	-	2,557	2,557	-
Councillor: PR	J Alberts	4,830	3,405	8,235	653
Councillor: PR	M Mtilla	-	2,127	2,127	-
Councillor: PR	S Leholo	-	3,968	3,968	-
Councillor: PR	J Pretorius	617	2,087	2,704	-
Councillor: PR	J Ncamazana	264	2,129	2,393	-
Councillor: PR	PJ van der Hoven	4,037	7,235	11,272	515
Councillor: PR	A van Zyl	5,829	3,642	9,471	87
Councillor: PR	W Witbooi	-	-	-	-
Section 57 Personnel					
Municipal Manger	CM Africa	4,433	3,937	8,370	43
Chief Financial Officer	LH Fourie	5,887	4,478	10,365	(2,120)
Director: Community Safety	D Beeka	4,918	5,994	10,912	(1,090)
Director: Electrotechnical Services	K Grünewald	6,404	8,815	15,219	1,185
Director: Civil Engineering Services	H Basson	4,066	17,084	21,150	201

				2010	2009
38. Related parties (continued)					
Director: Planning and Housing	SB Erasmus	-	1,282	1,282	132
Director: Enviromental Affairs	A Smith	4,595	5,499	10,094	84
Councillors, Municipal Manager & Section 57 Personnel		**85,088**	**165,023**	**248,533**	**4,367**

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from councillors, the municipal manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Loans granted to related parties
In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in note 5 to the Annual Financial Statements.

Compensation of related parties
Compensation of Key Management Personnel and Councillors is set out in note 30, to the Annual Financial Statements.

Purchases from related parties
The municipality bought goods from the following companies, which are considered to be Related Parties:

Company name	Related person	Company capacity	Capacity	Purchases for the year
ACVV	Mrs R de Swardt Mrs R Londt	Chairperson Member	Councillor Councillor	1,370,183
Seebosrand Catering	Mrs ME Claasen	Manager	Employee	12,990
Distinctive Catering Event	Mrs W Scheepers	Owner	Employee	103,756
Nashua	Mr HCF van Zyl	Director	Councillor	559,323
Ninive Trading cc	Mr V Gericke	Director	Employee	Withdraw tender
Tuinroete Agri	Mr S Mkhize	Director	Service of the State	270,476
Vela VKE Consulting Engineers (Pty) Ltd (3 year contract)	Mr J Basson	Director	Senior Manager	1 978 202 (year 1)
ABSA Bank Ltd (5 year contract)	Mrs M Ramos	CEO	Minister	2 019 208 (year 1)

Key management information

39. Prior period errors

The correction of the error(s) results in adjustments as follows:

	2010	2009

39. Prior period errors (continued)
STATEMENT OF FINANCIAL POSITION

Assets **Current assets**	**2009 previously reported**	**Adjustments**	**2009 restated**
Inventories	307,390,616	28,514,565	335,905,181
Trade receivables from exchange and non-excahnge transactions	60,394,570	-	60,394,570
Other receivables from exchange transactions	24,473,231	1,163,260	25,636,491
VAT	-	-	-
Loans and receivables	899,745	-	899,745
Cash and cash equivalents	192,888,192	-	192,888,192
	586,046,354	29,677,825	615,724,179
Non-current assets			
Property, plant and equipment	1,646,055,965	87,769,154	1,733,825,119
Intangible assets	1,155,120	371,658	1,526,778
Loans and receivables	4,272,847	-	4,272,847
	1,651,483,932	88,140,812	1,739,624,744
Total assets	**2,237,530,286**	**117,818,637**	**2,355,348,923**
Liabilities			
Current liabilities			
Loans and borrowings	20,361,844	-	20,361,844
Trade and other payables from exchange transactions	64,893,628	(824,508)	64,069,120
VAT	1,606,761	-	1,606,761
Consumer deposits	10,785,097	742,130	11,527,227
Employee benefits	11,849,736	4,340,413	16,190,149
Defered revenue (payables form non-exchange transactions)	10,511,226	(10,511,226)	-
Provisions	3,745,850	-	3,745,850
Unspent conditional grants and receipts	18,660,306	82,381	18,742,687
	142,414,448	(6,170,810)	136,243,638
Non-current Liabilities			
Loans and borrowings	390,705,814	(734,158)	389,971,656
Employee benefits	68,046,696	(4,340,413)	63,706,283
Deferred revenue (payables from non-exchange transactions)	249,908,029	(249,908,029)	-
	708,660,539	(254,982,600)	453,677,939
Total liabilities	**851,074,987**	**(261,153,410)**	**589,921,577**
Net assets			
Housing development fund	70,684,771	-	70,684,771
Accumulated surplus	1,315,770,528	378,972,050	1,694,742,578
	1,386,455,299	378,972,050	1,765,427,349
Total net assets and liabilities	**2,237,530,286**	**117,818,640**	**2,355,348,926**

	2010	2009

39. Prior period errors (continued)

STATEMENT OF FINANCIAL PERFORMANCE

Revenue from excahnge transactions	**2009 previously reported**	**Adjustments**	**2009 restated**
Agency commission	4,956,426	-	4,956,426
Rental revenue	1,857,265	-	1,857,265
Service charges	370,038,025	(16,778,693)	353,259,332
Revenue from non-exchange transactions			
Fines	10,167,343	1,163,260	11,330,603
Government grants	85,552,969	60,838,641	146,391,610
Licences and permits	2,538,210	-	2,538,210
Property rates	100,329,321	-	100,329,321
Property rates - penalties imposed and collection charges	1,567,336	-	1,567,336
Other income			
Gains on recognition of water inventory	95,962	-	95,962
Finance income	34,783,720	-	34,783,720
Gain on disposal of assets	(1,663,872)	-	(1,663,872)
Other income	29,949,501	(6,819,925)	23,129,576
Total income	**640,172,206**	**38,403,283**	**678,575,489**
Expenditure			
Bulk purchases	(119,762,528)	-	(119,762,528)
Collection costs	(4,319,056)	-	(4,319,056)
Contracted services	(45,191,056)	(3,486,000)	(48,677,056)
Depreciation and amortisation	(56,995,163)	(171,583)	(57,166,746)
Finance cost	(36,066,167)	-	(36,066,167)
General expenses	(114,708,397)	17,041,866	(97,666,531)
Grants and subsidies	(41,324,423)	-	(41,324,423)
Impairment losses	(10,057,532)	-	(10,057,532)
Personnel costs	(179,110,410)	-	(179,110,410)
Remuneration of councillors	(9,187,602)	-	(9,187,602)
Repairs and maintenance	(51,033,698)	-	(51,033,698)
Loss on dispoal of assets	-	(1,532,750)	(1,532,750)
Cost of sale erven sold	-	-	-
Total expenditure	**(667,756,032)**	**11,851,533**	**(655,904,499)**
(Deficit)/surplus for the year	**(27,583,826)**	**50,254,816**	**22,670,990**

	2010	2009

39. Prior period errors (continued)

.1 Accounting for Government Grants (IAS 20)

IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, was included in the accounting framework for municipalities in 2007/08. During the 2008/09 financial year the municipality still accounted for government grants in accordance with the these requirements although, in terms of the ASB's Directive 5 of 2009, IAS 20 was no longer included in the accounting framework for municipalities during the prior financial period. A prior period error has therefore occurred as the municipality did not apply a new accounting policy. The municipality has accounted for government grants for the year ended 30 June 2010 (and retrospectively) in accordance with the requirements of GRAP 9 and ASB Directives 3 and 5.

Correction of this error has been applied retrospectively and the effects thereof are as follows:

	Total of correction 2009
Increase in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	**(203,066,614)**
Decrease in Liabilities 30 June 2008 (opening balance (2008/2009)	**203,066,614**
Deferred income	198,914,232
Current portion of deferred income	4,152,382
Increase in Revenue	**(57,352,641)**
Government grants	(57,352,641)
(Increase) in surplus for the year ended 30 June 2009	**(57,352,641)**
Decrease/(increase) in liabilities	**260,419,255**
Deferred revenue	249,908,029
Current portion of deferred revenue	10,511,226

.2 Review of useful lives of Intangible Assets (GRAP 102)

In addition, the municipality did not appropriately apply the principles of GRAP 102 on Intangible assets, and it had fully depreciated assets because it did not review the useful lives of intangible assets at previous reporting dates, during prior periods. The remaining useful lives of assets was however considered during the 2009/10 financial period, and correction of this error has been applied retrospectively, with the effects thereof as follows:

	Total of correction 2009
Decrease in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	**(34,876)**
Increase in Assets 30 June 2008 (Opening balance 2008/2009)	**34,876**
Intangible asset at cost	-
Accumulated amortisation	34,876
Increase/(decrease) in Depreciation and Amortisation	**(336,782)**
Decrease/(Increase) in surplus for the year ended 30 June 2009	**(336,782)**
Increase in Assets	**371,658**
Intangible assets at cost	-
Accumulated amortisation	371,658

	2010	2009

39. Prior period errors (continued)

.3 Internal departemental charges

During the current period it was discovered that the internal service cost/charges between departments were included in other income and other expenses. These were corrected in the prior period and had a Rnil effect on the accumulated surplus for the prior period. The effects are as follows:

	Total of correction 2009
Decrease in revenue	**16,778,693**
Service charges	16,778,693
(Decrease) in general expenses	**(16,778,693)**
Decrease/(Increase) in surplus for the year ended 30 June 2009	**-**

.4 Fines received in incorrect financial year

During the year fines were received in the 2009/10 year but according to GRAP 9 should have been accrued in the prior period.

	Total of correction 2009
(Increase) in revenue	**(1,163,260)**
Fines	(1,163,260)
Decrease/(Increase) in surplus for the year ended 30 June 2009	**(1,163,260)**
Increase in Assets	**1,163,260**
Other receivables from exchange transactions	1,163,260

.5 Inventory - materials

During the year it was discovered that during the prior period inventory was expensed and therefore not accounted for as prescribed by GRAP 12.

	Total of correction 2009
Decrease/(Increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	**(422,707)**
Increase in inventory 30 June 2008 (opening balance 2008/2009)	**422,707**
Maintenance materials	422,707
(Decrease) in expenditure	**(236,173)**
General expenses	(236,173)
Decrease/(Increase) in surplus for the year ended 30 June 2009	**(236,173)**
Increase in Assets	**685,880**
Inventory	685,880

	2010	2009

39. Prior period errors (continued)

.6 Incorrectly accounted for assets

During the year it was discovered that an asset was incorrectly recognised as Work in Progress, which should have been an expense. The income was also not recognised from the unspent conditional grant, which was corrected during the year.

	Total of correction 2009
(Increase)/decrease in Revenue	**(3,486,000)**
Government grants	(3,486,000)
Increase/(decrease) in expenditure	**3,486,000**
Contracted services	3,486,000
Decrease/(Increase) in surplus for the year ended 30 June 2009	**-**
(Decrease) in Assets	**(3,486,000)**
Property, plant and equipment at cost	(3,486,000)
Accumulated depreciation	-
Decrease in liabilities	**3,486,000**
Deferred revenue	3,486,000

.7 External loan

During the year we received loan certificates from DBSA and we discovered that the incorrect redemptions were made.

	Total of correction 2009
Decrease/(Increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	**(734,158)**
Decrease in Non-current liabilities 30 June 2008 (opening balance (2008/2009)	**734,158**
Loans and borrowings	734,158
Decrease in Non-current liabilities	**734,158**
Loans and borrowings	734,158

.8 Inventory - Land held for resale

The municiaplity has accounted for erven as property, plant and equipment and not as prescibed in GRAP 12 (Inventory). During the year this error was corrected and the effects are as follow:

	Total of correction 2009
Decrease/(Increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	**(247,800)**
Increase in inventory 30 June 2008 (opening balance 2008/2009)	**247,800**
(Increase)/decrease in Other income	**6,819,925**
Cost of sales	6,819,925
Decrease/(Increase) in surplus for the year ended 30 June 2009	**6,819,925**
(Decrease) in Assets	**(2,095,000)**
Property, plant and equipment at cost	(2,095,000)
Accumulated depreciation	-

	2010	2009

39. Prior period errors (continued)

(Decrease) in inventory	**(4,477,125)**
Erven held for sale	(4,477,125)

.9 Componentisation of PPE in terms of GRAP 17

During the 2007/08 financial period the municipality did not fully comply with GRAP 17 regarding measurement of PPE infrastructure assets (componentisation and review of useful lives) for additions of infrastructure assets during the year. During the current year the consulting engineers, AURECON, finalised the process of itemising and reviewing useful lives of assets. The useful lives of assets and depreciation for additions during the the year were adjusted as a result.

Correction of this error has been applied retrospectively and the effect thereof is as follows:

	Total of correction 2009
Decrease/(Increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	**2,428,431**
(Decrease)/Increase in PPE 30 June 2008 (opening balance 2008/2009)	**(2,428,431)**
Property, plant and equipment at cost	-
Accumulated depreciation	(2,428,431)
(Decrease) in Assets	**(2,936,796)**
Accumulated depreciation	(2,936,796)
Increase/(decrease) in Depreciation and Amortisation	**508,365**
Decrease/(Increase) in surplus for the year ended 30 June 2009	**508,365**

.10 Land and Buildings and Inventories not recognised in prior period

During the year it was discovered that Land and Buildings and Inventory was not recognised as prescribe by the different GRAP standards. Some of these Inventories recognised was sold during the 2008/09 financial year. During the year this error was corrected and the effects are as follow:

	Total of correction 2009
Decrease/(Increase) in Accumulated surplus 30 June 2008 (opening balance 2008/2009)	**(130,125,510)**
Increase in inventory 30 June 2008 (opening balance 2008/2009)	**33,838,560**
Increase in land and buildings 30 June 2008 (opening balance 2008/2009)	**96,286,950**
Increase/(decrease) in Inventory on 30 June 2009	**(1,532,750)**
Erven for sale	(1,532,750)
Increase/(decrease) in surplus for the year ended 30 June 2009	**(1,532,750)**

	2010	2009

40. Comparative figures

Certain comparative figures have been reclassified due to incorrect allocations in the prior period. These reclassifications does not have any effect on the accumulated surplus except were indicated.

The effects of the reclassification are as follows:

.1 Expenses and Revenue

	2009 previously reported (ammended with note 39)	Adjusted	2009 restated
Bulk purchases	(119,762,528)	-	(119,762,528)
Collection costs	(4,319,056)	-	(4,319,056)
Contracted services	(48,677,056)	(36,364)	(48,713,420)
- Other contractors	(48,677,056)	(36,364)	(48,713,420)
Cost of sale erven sold	(1,532,750)	(6,819,925)	(8,352,675)
Depreciation and amortisation	(57,166,746)	-	(57,166,746)
- Property,plant and equipment	(56,891,882)	-	(56,891,882)
- Amortisation	(274,864)	-	(274,864)
Finance cost	(36,066,167)	4,316,220	(31,749,947)
General expenses	(97,666,531)	9,096,210	(88,570,321)
- Chemicals	(9,737,239)	-	(9,737,239)
- Energy costs	(11,498,222)	5,194,870	(6,303,352)
- Flood damage	(17,987,995)	-	(17,987,995)
- Impairment of inventory	(14,765)	-	(14,765)
- Rental: Operating lease	(1,239,866)	-	(1,239,866)
- Accommodation , entertainment and travelling cost	(2,558,224)	2,558,224	-
- Other general expenses	(54,630,220)	54,630,220	-
- Advertising fees	-	(1,181,999)	(1,181,999)
- Audit fees	-	(1,710,539)	(1,710,539)
- Bank charges	-	(1,057,696)	(1,057,696)
- Consultation fees	-	(1,276,978)	(1,276,978)
- Insurance expenses	-	(3,390,261)	(3,390,261)
- Printing and stationary	-	(2,435,307)	(2,435,307)
- Telephone and 3G cards	-	(3,421,826)	(3,421,826)
- Travelling expenses	-	(1,090,074)	(1,090,074)
- Training expenses	-	(1,902,188)	(1,902,188)
- IT expenses	-	(18,102)	(18,102)
- Other expenses	-	(35,802,134)	(35,802,134)
Grants and subsidies	(41,324,423)	-	(41,324,423)
Impairment losses	(10,057,532)	-	(10,057,532)
Loss on disposal of asset	-	(2,345,382)	(2,345,382)
Personnel costs	(179,110,410)	(2,608,305)	(181,718,715)
- Basic	(114,796,537)	-	(114,796,537)
- Housing benefits and allowances	(1,641,259)	-	(1,641,259)
- Long service awards	(1,928,381)	-	(1,928,381)
- Medical aid - company contributions	(6,363,511)	-	(6,363,511)
- Other payroll levies	(2,195,488)	-	(2,195,488)
- Overtime payments	(13,211,679)	-	(13,211,679)
- Post-retirement defined benefits	(9,553,108)	-	(9,553,108)
- Travel, motor car, accommodation, subsistence and other allowances	(10,784,431)	-	(10,784,431)
- UIF	(1,075,845)	(46,497)	(1,122,342)

		2010	2009
40. Comparative figures (continued)			
- Pension	(16,482,908)	(9,174)	(16,492,082)
- WCA	(1,077,263)	-	(1,077,263)
- SDL	-	(1,483,925)	(1,483,925)
- Ad hoc trips	-	(1,068,709)	(1,068,709)
Remuneration of councillors	(9,187,602)	-	(9,187,602)
Repairs and maintenance	(51,033,698)	(2,965,541)	(53,999,239)
Total expenditure	**(655,904,499)**	**(1,363,087)**	**(657,267,586)**
Revenue			
Other Income	23,129,576	6,819,925	29,949,501
Gain/(Loss) on disposal of asset	(1,663,872)	2,345,382	681,510
Finance costs - interest on housing development fund	34,783,720	(4,316,220)	30,467,500
Government grants	146,391,610	(3,486,000)	142,905,610
		1,363,087	

.2 Incorrect naming of a line item
In the note to personnel costs the wording for one line item in the note was "SDL" in the prior period annual financial statements, this was corrected to the correct wording, namely being "Pension". The amount of this line item was R16 482 908.

.3 Incorrect disclosure of the non-current portion of employee benefits.
During the prior period the current portion of the non-current portion employee benefit were included in the non-current portion. The incorrect accounting was corrected and the effects are as follow:

	2009 previously reported	Adjusted	2009 restated
Non-current liabilities			
Employee benefits			
- Post-retirement medical aid benefits liability	61,550,332	(3,281,816)	58,268,516
- Ex-gratia pension benefits liability	329,828	(285,266)	44,562
- Long service awards	6,166,536	(773,331)	5,393,205
	68,046,696	**(4,340,413)**	**63,706,283**
Current Liabilities			
Employee benefits			
- Post-retirement medical aid benefits liability	-	3,281,816	3,281,816
- Ex-gratia pension benefits liability	-	285,266	285,266
- Long service awards	-	773,331	773,331
- Staff leave	10,932,994	-	10,932,994
- Performance bonus	916,742	-	916,742
	11,849,736	**4,340,413**	**16,190,149**

	2010	2009

40. Comparative figures (continued)

.4 Re-allocaltion of incorrect mapping.

During the audit it was discovered amounts were incorrectly (included)/excluded in the individual line items.

	2009 previously reported	Adjusted	2009 restated
Current Liabilities			
Trade and other payables from exchange transactions	64,893,631	(742,130)	64,151,501
Consumer deposits	10,785,097	742,130	11,527,227
		-	

41. Risk management

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and net assets balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the loans and borrowings disclosed in note 9, cash and cash equivalents disclosed in note 9 and net assets, comprising funds, reserves and accumulated surplus as disclosed in the Statement of Changes in Net Assets.

		2010	2009

41. Risk management (continued)

The gearing ratio at 2010 and 2009 respectively were as follows:

Total loan and borrowings	9	**513,447,963**	**410,333,501**
Less: Cash and cash equivalents	6	146,881,424	192,888,192
Net debt		366,566,539	217,445,309
Total equity		1,774,519,780	1,386,269,774
Total capital		**2,141,086,319**	**1,603,715,083**
Debt to Net Assets ratio		28.93 %	**29.60 %**

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk.

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continous basis. The municipality does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates.

The municipality's exposures to interest rates on financial assets and financial liabilities are detailed in appendix A.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to

	2010	2009

41. Risk management (continued)

the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its counterparties are continously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument	**2010**	**2009**
Loans and receivables	4,299,585	5,172,592
Trade recievables	77,184,296	60,394,570
Other receivables	72,567,156	24,473,231
Cas and cash equivalents	145,840,558	192,888,192

	2010	2009

41. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk
The municipality is not currently exposed to foreign currency risk.

Fair value interest rate risk
It is not anticipated that the value of financial instruments will fluctuate as a result of changes in market interest rates.

Other price risks
The municipality is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The municipality does not actively trade these investments.

Sensitivity analysis – equity price risk
The municipality is not exposed to other price risk in respect of equity securities as no such investments are currently held.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

43. Events after the reporting date

There were no matters identified by the municipality under the year of review.

44. Unauthorised expenditure

44.1	**Reconciliation of unauthorised expenditure**		
	Opening balance	-	-
	Unauthorised expenditure current year	25,428,542	-
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery(note 4)	-	-
	Unauthorised expenditure awaiting authorisation	-	-
		25,428,542	**-**

The unauthorised expenditure relates to the budget overspending due to Provision for Employee Benefits. See Appendix E(1) for the details. The report will be submitted to Council.

		2010	2009

44. Unauthorised expenditure (continued)

44.2	**Reconciliation of unauthorised expenditure**		
	Opening balance	-	-
	Unauthorised expenditure current year	8,946,099	-
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery (note 4)	-	-
	Unauthorised expenditure awaiting authorisation	-	-
		8,946,099	**-**

The unauthorised expenditure relates to budget overspending due to economic decline and outstanding debts increased. See Appendix E(1) for the details. The report will be submitted to Council.

44.3	**Reconciliation of unauthorised expenditure**		
	Opening balance	-	-
	Unauthorised expenditure current year	46,645,187	-
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery (note 4)	-	-
	Unauthorised expenditure awaiting authorisation	-	-
		46,645,187	**-**

The unauthorised expenditure relates to the under spending on the budget due to the delays in bulding of Top structure for low cost housing (ERF 325). See Appendix E(1) for the details. The report will be submitted to Council.

45. Fruitless and wasteful expenditure

Data Integration, Sharing and Communication System	-	4,193,828

The council stopped any further developments to the project pending further investigation.

46. Irregular expenditure

Add: Irregular Expenditure - current year	65,100	-
Less: Amounts condoned	(65,100)	-
	-	**-**

Details of irregular expenditure – current year

Olivier Contractors	Removal of rubble from sidewalks	65,100

47. In-kind donations and assistance

The municipality did not receive any in-kind donations and assistance during the year under review.

	2010	2009

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	878,558	709,741
Amount paid - current year	(878,558)	(709,741)
	-	-

Material losses through criminal conduct

During the year under review the municipality had no material losses with regards to the distribution of water and electricity. Refer to appendix I for more detail calculations on these minor losses.

Audit fees

Current year subscription / fee	2,581,694	1,710,539
Amount paid - current year	(2,581,694)	(1,710,539)
	-	-

PAYE and UIF

Current year subscription / fee	25,400,351	22,965,591
Amount paid - current year	(25,400,351)	(22,965,591)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	41,732,539	37,146,822
Amount paid - current year	(41,732,539)	(37,146,822)
	-	-

VAT

VAT payable	6,574,920	1,606,761

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding during the year ended at 30 June 2010.

30 June 2009	Outstanding less than 90 days	Outstanding more than 90 days	Total
BF Heyns	1,462	487	1,949

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses

	2010	2009

48. Additional disclosure in terms of Municipal Finance Management Act (continued)
incurred as listed hereunder have been condoned.

Incident	Awarded to	Date	Reason	Approved by	Amount (excl. VAT)
Conduction and community satisfaction survey for George Municipality	Uhlala Consulting	March 2010	Urgent	AJ Smith - Acting Municipal Manger	30,614.00
Funding for Emergency Capital expenditure	FNB / RMB	February 2010	Urgent / Emergency	CM Africa - Accounting Officer	50,100,000.00
Assitance with the 2010 Annual Financial Statements and the Implementation of GRAP Standards	Ducharme Consulting (Pty) Ltd	March 2010	Urgent / Emergency	AJ Smith - Acting Municipal Manger	509,808.00
Appointment of contractor for emergency construstion of the Quteniqua Treated Effluent Pump Station and Pipeline	Enstha Henra CC (Section 1) and New Heights 232 (Pty) Ltd (Section 2)	November 2009	Urgent / Emergency	CM Africa - Accounting Officer	17,729,259.25 and 12,875,121.75
Mechanical and electrical equipment for the emergency Outeniqua Effluent Pump Station	Viking Pony Africa Pumps (Pty) Ltd t/a Tricom Africa	November 2009	Urgent / Emergency	CM Africa - Accounting Officer	6,369,801.50
Appointment of contractors for staorage and filtration facilities at the Outeniqua Waste Water Treatment Works	Aque Engineering SA (Pty) Ltd (Part A) and VWS envig (Pty) Ltd (Part B)	November 2009	Urgent / Emergency	CM Africa - Accounting Officer	21,080,206.40 and 2,654,905.00
Extension of contract for Civil Works for emergency re-use of effluent project	Phambile Civils	March 2010	Urgent / Emergency	CM Africa - Accounting Officer	5,846,451.50
Extension of the appointment for the annual update of George water and sewer masterplans	GLS Consulting Engineers	June 2010	Sole supplier	AJ Smith - Acting Municipal Manger	Various
Soccer 2010 flags	K-Design Studio	March 2010	Urgent	DG Ras - Acting Municipal Manger	78,000.00
Security for the Southern and Northern Pavilion of Outeniqua Park	SGB	June 2010	Urgent	DG Ras - Acting Municipal Manger	23,000.00
Purchases of 150metres green	Suid-Kaap Korparasie	June 2010	Urgent	DG Ras - Acting Municipal Manger	2,750.00
Purchases of giant soccerballs	Garden Route Paintball shop	June 2010	Urgent	DG Ras - Acting Municipal Manger	50,741.40
Refuse removing	Gottas Waste Management	June 2010	Urgent	DG Ras - Acting Municipal Manger	79,458.00
Eden FM marketing	Eden FM	June 2010	Urgent	DG Ras - Acting Municipal Manger	89,000.00

					2010	2009

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Componitisation of Assets for 2008/9 and 2009/10	Aurocon	June 2010	Urgent	DG Ras - Acting Municipal Manger	119,810.00
World Cup entertainment	Baia Formosa Trading 33 t/a Upside Down Events	June 2010	Urgent	DG Ras - Acting Municipal Manger	162,105.26
Transport arrangements with Taxi Associations: 2010 World Cup Public Viewing Area	GB Figland	June 2010	Urgent	DG Ras - Acting Municipal Manger	90,000.00

49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	513,447,963	410,333,501

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

50. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

51. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

52. Soccer World Cup 2010 expenditure

Travel cost			
Accomadation		4,780	6,338
Travel agent		11,330	8,636
Soccer exibition		-	38,868
		16,110	53,842
Purchases of World Cup 2010 apparel	**Quantity**		
Bumper sticker	1,000	13,110	-
Soccer balls	234	15,286	-
VIP wristbands	800	1,528	-
Lanyards	500	2,656	-
T-shirts	2,436	95,103	15,504
Banners & flag posters	727	97,987	-
Promotional items	171	5,449	6,349
Billboards	4	51,443	-
Flags	176	160,414	-
Hellium balloons	500	3,500	-
Trophy & medals	-	6,215	-
Decorations - Mayoral offices	-	3,124	-
Giant promotional soccer balls	4	57,845	-
Soccer equipment	147	9,745	7,249
		523,405	29,102
Total expenses		539,515	82,944

	2010	2009

53. Private Public Partnership

The municipality was not a party to any Private Public Partnerships during the current financial year.

54. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the municipality's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

Impairment of trade and other receivables
The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the provisions of IAS 39. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

Provisions
The provisions raised by the municipality are detailed in note 14 . These provisions represent management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Critical accounting judgements in applying the municipality's accounting policies
Certain critical accounting judgements in applying the municipality's accounting policies are described below.

Revenue recognition
Accounting policy note 1.15 on revenue from exchange transactions and accounting policy note 1.15 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Classification as investment property
The Municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and the carrying value of items of property, plant and equipment
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Determination of impairments of property, plant and equipment and intangible assets
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that an impairment exists. The municipality applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a